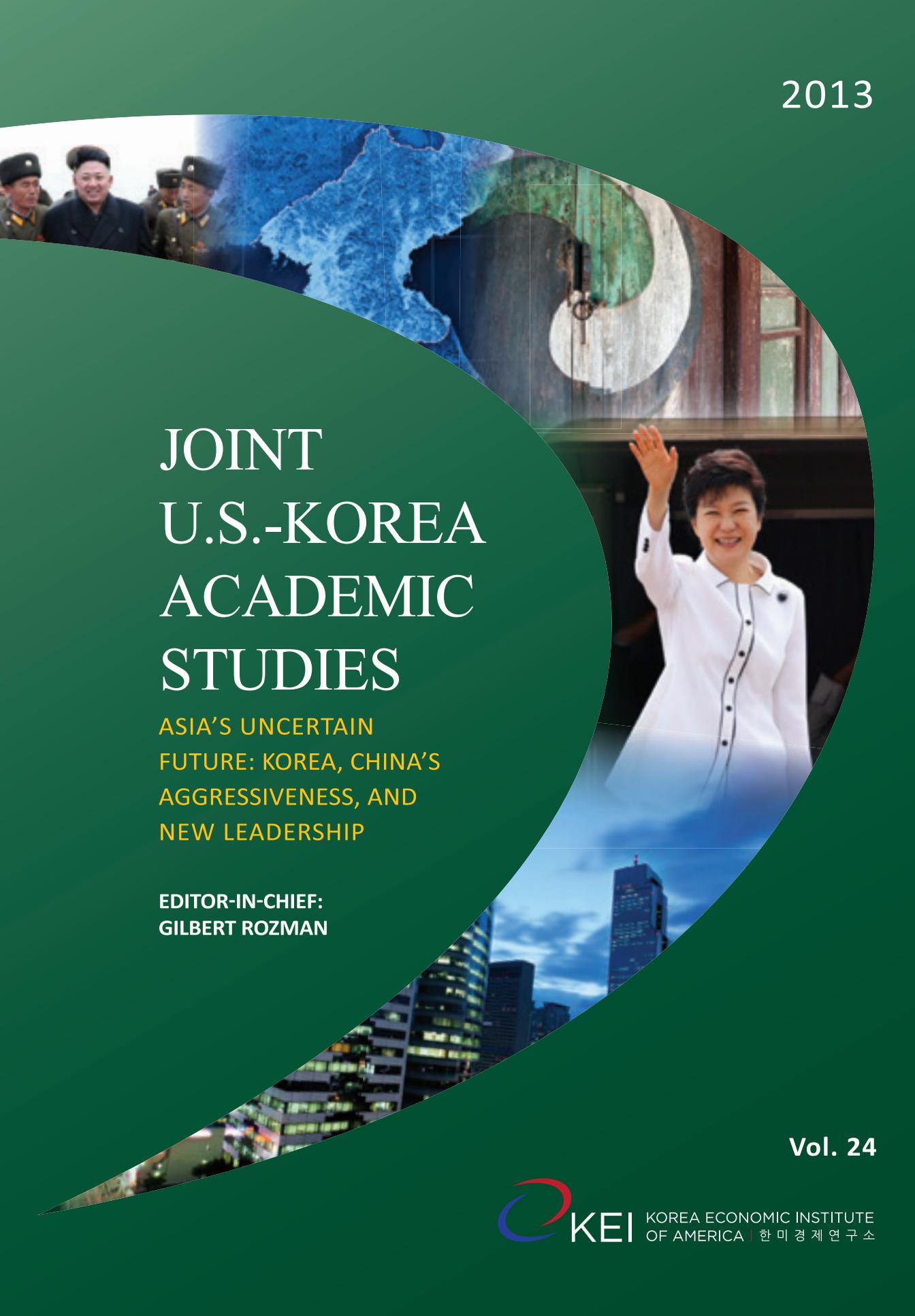


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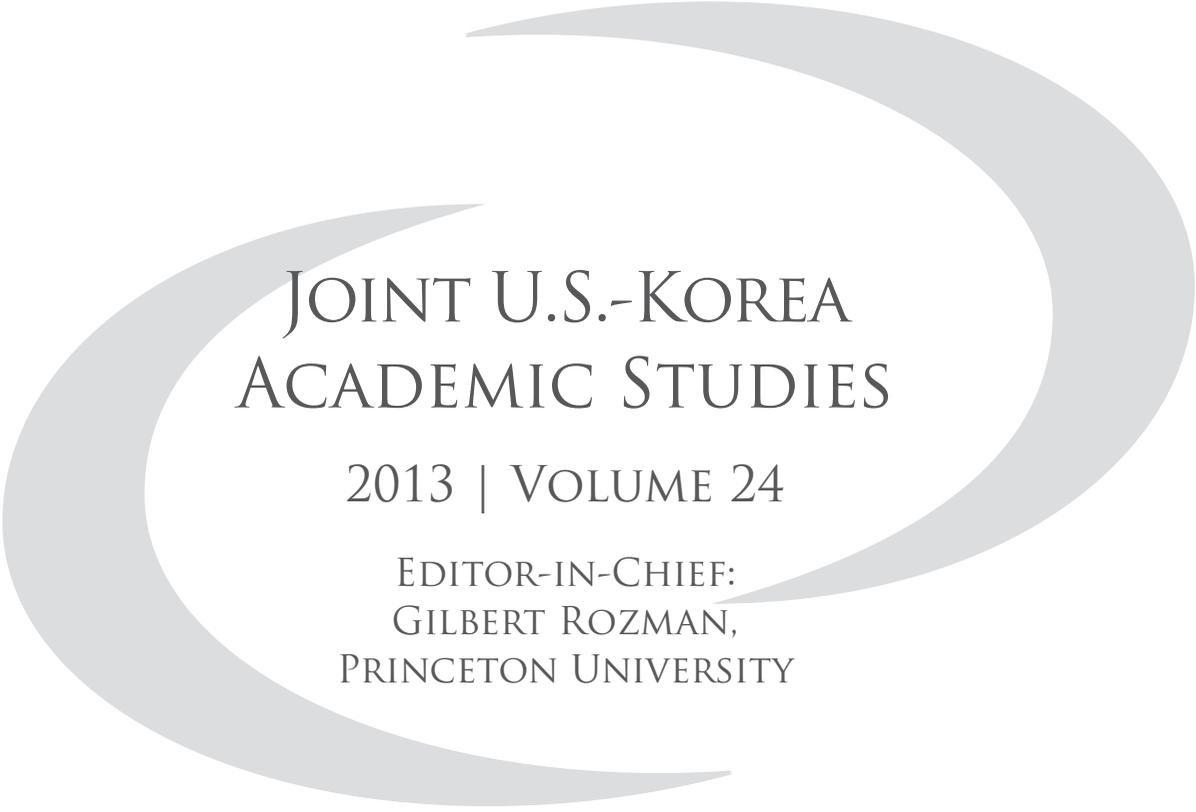


JOINT U.S.-KOREA ACADEMIC STUDIES

ASIA'S UNCERTAIN
FUTURE: KOREA, CHINA'S
AGGRESSIVENESS, AND
NEW LEADERSHIP

EDITOR-IN-CHIEF:
GILBERT ROZMAN

Vol. 24



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PREFACE

For over twenty years, the Korea Economic Institute of America (KEI) invited leading Korea and Asia scholars and experts from around the world to its annual academic symposium. Starting in 2012, KEI embarked on a new initiative to revamp this series by partnering with the Association of Asian Studies (AAS) to incorporate the symposium into the AAS annual conference. To this end, KEI organized four conference panels, advertised KEI's outreach work to over 3,000 conference participants at AAS, and raised the profile of the Institute on a global stage.

As before, KEI edited, compiled and published the research papers presented by the distinguished speakers at the symposium as part of its Joint U.S.-Korea Academic Studies series. Part of this new endeavor is the involvement of Dr. Gilbert Rozman, the Musgrave Professor of Sociology at Princeton University. As the Editor-in-Chief for this Joint U.S.-Korea Academic Studies volume, his knowledge and work with the authors is visible throughout this publication. Dr. Rozman also helped KEI organize four timely and topical panels at the AAS conference. His involvement is part of KEI's constant effort to bring our subscribers high quality and informative resources on issues impacting the U.S.-Republic of Korea relationship.

The events and actions in Northeast Asia continue to have important implications for the future of the region. Many of these interactions have both bilateral and multilateral effects, which our authors examine in four themes. The rise of the Asia-Pacific region is characterized by both an increase in cooperation and competition among countries, and our experts look at this dynamic through key bilateral relationships. Moreover, economics has been a vital driver of cooperation in Asia, and this volume examines this continuing trend with the development of the China-Japan-Korea trilateral relationship and the possibility of a free trade agreement among the three countries. We have a section that further analyzes the national identity aspects of the U.S.-China relationship and how national identity issues are often at the core of how other countries view themselves in the region compared to that huge bilateral relationship. Lastly, one section looks at the ever-looming question of reunification on the Korean Peninsula. As you can see, all of these are important areas for understanding and succeeding in an Asia-Pacific century.

At KEI, it is our passion to analyze the important factors and trends impacting the U.S.-Korea alliance and the Asia-Pacific region. Our academic symposium presence at the AAS annual conference and this volume are exciting outputs of our energy. We hope you enjoy the passionate scholarship inside this volume.

– *The Honorable Don Manzullo*

President & CEO, Korea Economic Institute of America

July 2013



BILATERAL COMPETITION AND
COOPERATION UNDER NEW LEADERSHIP

INTRODUCTION

In the first months of 2013 the leadership transitions in Northeast Asia were completed. After a year in office Kim Jong-un was consolidating his grip on power and clarifying, through belligerent actions after the successful test of a long-range missile had prompted a critical United Nations Security Council resolution, the legacy handed to him by Kim Jong-il. Wrapping up the first year of a new term as president, Vladimir Putin proved that personal authority could refocus Russian foreign policy almost at will, intensifying anti-Americanism while expanding cooperation with China as he repressed the nascent forces of civil society through the charge that they are in the forefront of foreign subversion. In China, Xi Jinping added the post of president to that of party secretary, while sending China's ships and planes into areas around the Senkaku/Diaoyu islands considered in Japan to be its sovereign territory, as he stimulated talk of China's rejuvenation—the China dream—in opposition to global or regional ideals. Recognizing that Putin was troubled by Kim's provocations and Xi was still in the process of orchestrating China's response, newly reelected Barack Obama sent Secretary of State John Kerry to Beijing as well as Seoul and Tokyo and National Security Advisor Thomas Donilon to Moscow for mid-April meetings vital in determining whether the new leadership teams would cooperate on North Korea.

Setting aside some provocative themes in the LDP platform, Abe Shinzo and a new pro-revisionist cabinet stressed realism as he traveled first to Southeast Asia to highlight shared security interests and universal values and, as soon as possible, to the United States, where he strengthened Japan's alliance. By the time that Park Geun-hye was inaugurated, her hopes for revitalizing ties to North Korea on the basis of denuclearization were in tatters and her appeal to China for upgrading relations was blunted by the direction China seemed to be heading and the troubled atmosphere in Sino-U.S. and Sino-Japanese relations. Although Park and Abe had to tread carefully in managing the frayed relationship between their countries, both faced, along with the United States, warnings of horrific attacks by North Korea and drew close to Obama amidst doubt that his new foreign policy team, including Chuck Hagel as secretary of defense, could regain the initiative in this now volatile region.

China had become the driving force in territorial disputes, increasingly in the forefront in regional relations, and in decisions about how to deal with North Korea. As chapters in Part III make clear, it is pushing for the China-Japan-Korea Free Trade Agreement (CJK FTA) and also a Sino-South Korean FTA. Chapters 2 and 7 show China setting the terms for relations with Russia and making increased inroads into Central Asia. Chapters 5 and 6 illuminate its impact on Japan as well as South Korea. Setting the scene for all that follows is Chapter 1 on the state of Sino-U.S. relations. It shows the critical nature of this bilateral relationship for relations throughout East Asia and for the deepening instability in the region.

Robert Sutter notes China's call for a "new type of great power relationship" to overcome deepening Sino-U.S. distrust, but he explains that this is a term whose meaning is loaded with one-sided U.S. concessions. Backed by many "extraordinary demonstrations of state power" toward U.S. allies and partners, China's appeal puts pressure on the United States, making bilateral meetings "increasingly acrimonious" and leading to U.S. countermeasures. Sutter is careful to take note of continued U.S. moderation and efforts

to soft-pedal adversarial competition. While on the U.S. side he sees the likelihood of continued pragmatism, even in the face of a nasty Senkaku-Diaoyu island dispute for which U.S. support goes to Japan's administration if not its sovereignty, he warns of a righteous mood among China's elite and public opinion pushing for further Chinese expansion. As Obama's new foreign policy team begins to engage Xi's new team, the region will be watching to see if the troubles gathering force in 2009-10 and intensifying in 2012 will be ameliorated or exacerbated.

Sino-Russian relations are increasingly becoming a factor in the stability of Northeast Asia. They shape the atmosphere in Central Asia as the U.S. pullback in Afghanistan affects the region, and they determine not only how the UN Security Council responds to North Korean belligerence but also how much support North Korea receives in the region for its strategy. Sergey Radchenko exposes the tone of Russian praise of the 18th Party Congress as reminiscent of party-to-party relations in the heyday of the socialist bloc. Although he warns that insufficient assurances by China in dealing with Central Asia and redressing trade imbalances could jeopardize long-term relations, he puts primary emphasis on Russia's vision as an intermediary in a multipolar world and a partner with China enabling it to bridge East and West. The optimistic tone about Sino-Russian relations, however much it belies enduring Sinophobia, is growing more pronounced and complicating regional reorganization.

While coverage of U.S. and Chinese relations with Japan and South Korea only appears in Part II, these relations loom in the background in South Korean-Japanese relations, which are assessed in Chapter 3. During the Lee Myung-bak era there usually was warmth to U.S.-South Korean relations, lacking in U.S.-Japanese relations. The successful conclusion of the KORUS FTA contrasted with the lingering dilemma of the Futenma base in Okinawa. If the Japanese increased appreciation for their ally with Operation Tomodachi, following the Fukushima nuclear disaster, and a renewed sense of reassurance in the face of Chinese and North Korean threats, this was not the same as the image of Global Korea and the United States marching hand in hand in values, economic ties, and security cooperation in dealing with North Korea. Yet, the images of the two allies were beginning to change in 2012, as Lee aroused concern for his provocative behavior toward Japan and the presidential campaign showcased two candidates vying to show independence from the United States in their plans for strengthening diplomacy with China and reengaging North Korea, while both Noda and Abe, in preparing his political comeback, gave unprecedented support to Japan's ally. By early 2013 Japan appeared keener on coordination, even in joining the TPP, and in the increasingly urgent task of widening security partnerships to face China.

Xi Jinping posed a different challenge to Abe and Park. It was not just that he saw Abe as the heir to unrepentant Japanese militarism. More important was the imperative, as seen by the People's Liberation Army, to extend the range of ships to strengthen China's security and secure access to oil and gas beneath the sea. There was little prospect of a significant turnaround in Sino-Japanese relations, even if a way were found to start talks on the territorial dispute. In contrast, Park is being tempted to draw closer to China as it seeks a return to the Roh Moo-hyun diplomacy of deference and even the notion of balancing powers. The economic pull of China is far greater for South Korea. The Ming Wan and See-Won Byun chapters in Part II put these two relationships in a national identity context as the new leaders take office.

Cheol Hee Park's Chapter 3 covers Japan-South Korea relations in this period of leadership transitions, noting that the seesaw nature of past relations was repeated in 2012 with a sharp deterioration occurring over the summer. He traces how over the period August 2011 to June 2012, issues arose that raised tensions in relations. But only in August, with Lee's visit to Dokdo/Takeshima, did ties significantly deteriorate, with a degree of damage control achieved just in October. Park interprets the LDP party platform as a collection of offensive proposals to South Koreans, observing that as "ministers in charge of politically sensitive issues like abductees, territory, education, and telecommunications, Abe appointed hard-lined right wingers." Despite Abe's "values diplomacy" and invigorated regional strategy, South Korea is not explicitly included. Cheol Hee Park concludes that South Korea is likely to respond cautiously.

Bilateral relations showed a new urgency in early 2013 with the visit of Abe to Washington and Xi to Moscow. Each leader sought to win greater support for a bolder agenda, while recognizing that some price would have to be paid. After all, Obama aims to broaden TPP negotiations to include Japan on terms that Abe previously regarded as onerous for his LDP constituencies, and Putin seeks a gas pipeline deal with prices more in keeping with those Russia has been getting from Europe than those China is prepared to pay. A primary focus for Abe and Xi is security, beginning with their territorial dispute in the East China Sea. Obama has backed Abe, but he may be more interested in calming the dispute than in throwing U.S. weight firmly behind Japan. Putin has drawn closer to China, but he has not supported it in the dispute with Japan, as he explores improving relations with that country, as seen in a late April visit to Moscow by Abe. As discussed in Part II, Abe also seeks to combine closer U.S. ties on values with a revisionist approach to Japan's history, while Xi welcomes closer Russian ties on values with a sinocentric approach to China's role in Asia. These tricky combinations do not make it easy for Abe and Xi's overtures to achieve complete success, even if recent developments are leading to increasingly close relations between each pair of countries.

In April 2013 North Korean threats to unleash a war formed the backdrop to the maiden visits of the new Obama foreign policy team to Asian capitals. The prevailing tone was conciliatory, leading by calming tensions. As long as North Korea agreed to pursue denuclearization, Obama was ready to resume negotiations, while Park Geun-hye offered humanitarian assistance and Xi could take comfort that U.S. moves to counter the North's threat would be reversed. The door to greater regional stability was being opened a crack, but Kim Jong-un insisted there would be no denuclearization, while Xi and Putin had not indicated the stability sought by Obama was consistent with their regional plans.

By the end of April conditions were not improving. South Korea withdrew its last managers from the Kaeseong industrial park after North Korea had sent its workers away and rejected further shipments of food and medical supplies. China informed the visiting U.S. chairman of the Joint Chiefs of Staff, Martin Dempsey, that the Senkaku islands are its "core interest," elevating the clash with Japan in priority. Following the terror attack on the Boston Marathon, U.S. nerves were on edge, as talk of greater cooperation with Russia on suspected terrorists, a failing exposed in this case, barely concealed renewed distrust. Japanese-South Korean relations were further scarred by visits to the Yasukuni Shrine by an unprecedented number of Japanese cabinet members as well as by Abe's

answer before the Upper House of the Diet questioning the use of the term “aggression” (*shinryaku*) for Japan’s wartime behavior. The security atmosphere was deteriorating. In this context, Park Geun-hye visited Washington in early May, coordinating with Barack Obama in support of further engagement with North Korea, but only on condition of new commitment to denuclearization. In a tense region, Pyongyang could either restart talks aimed at managing differences or light the spark that threatens greater instability. China showed more interest in pressuring it to choose talks, but China also increased warnings toward Japan that indicated impatience to change the status quo is China’s driving force.

The United States and China

Robert Sutter

2012 was a year of leadership transition in China and a presidential election in the United States. At the 18th Congress of China's Communist Party in November, Hu Jintao passed party and military leadership positions to Xi Jinping, who was named president during the National People's Congress meeting in March. Barack Obama ended a long and acrimonious presidential campaign, defeating Republican nominee Mitt Romney. Meanwhile, North Korea's leadership succession following the death of Kim Jong-il in December 2011 and elections in such key regional governments as Taiwan, South Korea, and Japan influenced circumstances along the rim of China—the main arena where China and the United States are encountering one another in increasingly competitive ways.

The PRC has always exerted its greatest influence in nearby Asia, and this area has always received the lion's share of Chinese foreign policy attention. The region is essential to China's national security; it contains the disputed sovereignty issues that remain of top importance to the leaders as well as to the strongly patriotic Chinese popular and elite opinion. Nearby Asia is more important than any other world area to China's economic development; it determines the peaceful international environment seen by post-Mao Chinese leaders as essential in pursuit of economic development, the primary source of legitimacy for continued Communist Party rule in China.

The long record of the policy and behavior of the PRC in the Asia-Pacific region shows repeated maneuvering to keep China's periphery as free as possible from hostile or potentially hostile great-power pressure. Among the sovereignty and security issues that have been at the very top of foreign policy priorities in most years is the longstanding goal of reunifying Taiwan and the Chinese mainland. Also included are such security issues as opposition to U.S. containment in the 1950s and 1960s, followed by opposition to perceived Soviet use of military force and alignments with Vietnam, India, and others to "encircle" and constrain China during the 1970s and 1980s, followed, in turn, by renewed public opposition to U.S. alliances and military deployments in the 1990s and into the early 21st century.

Chinese efforts to keep this periphery free of potentially hostile great-power presence and pressure shows persistent wariness and sometimes overt hostility toward such large outside powers, notably the United States. China has used offensive and defensive measures to thwart the perceived great-power ambitions in the region. This trend has continued, along with the growing Chinese economic integration, increasing political and security cooperation and active engagement with various multilateral organizations in the region since the 1990s. Thus, as Chinese officials in recent years declare greater confidence as China rises in influence in Asia, they work assiduously in trying to ensure that the United States and its allies and associates do not establish power and influence along China's periphery that is adverse to Chinese interests.

For its part, the United States has long regarded East Asia, and especially Northeast Asia, as among the most important international areas in American foreign relations, on a par with Western Europe. Since the end of World War II, the United States has expended enormous resources and lost many tens of thousands of lives in wars in Korea and Vietnam and other military confrontations to sustain stability and promote economic and political access and openness along lines favored by the United States. America's post Cold War role as regional

security guarantor has not gone unchallenged by North Korea and, to a degree, China. The Obama administration has undertaken recent efforts to broaden and deepen U.S. security, economic, and diplomatic engagement throughout the region, giving special new emphasis to ties with Southeast Asia, Australia and regional multilateral organizations.¹

GROWING DIVERGENCE AND COMPETITION

Growing divergence and competition in Asia headed the list of issues in 2012 that tested the abilities of American and Chinese leaders to manage their differences, avoid confrontation, and pursue positive engagement. Senior U.S. and Chinese leaders stayed in close contact with one another in an avowed effort to search for a “new type of great power relationship” which would avoid conflict and manage tensions as China’s rising power and expanding interests rub against American interests, policies, and practices. Nevertheless, competition for influence along China’s rim and in the broader Asia Pacific region exacerbated an obvious security dilemma in this sensitive region featuring China’s rising power and America’s reaction, shown notably in the two sides’ respective military build-ups. These problems and differences on a wide range of international issues and domestic pressures led to what leading specialists Kenneth Lieberthal and Wang Jisi characterized as pervasive and deeply rooted distrust between the two governments.²

The Republican presidential primaries saw sharp and often hyperbolic attacks on Chinese economic and security policies. Romney emerged from the pack as the party’s nominee, supporting tough trade and security measures to protect U.S. interests against China. Obama joined the fray with harsh rhetoric not seen in his presidential campaign in 2008. In the third presidential debate on October 22, veteran China specialist Donald Keyser noted that the president publicly referred to China for the first time as “an adversary” though the president added that it is a “potential partner in the international community if it follows the rules.” Highlighting his administration’s reengagement with countries in the Asia-Pacific region as a means to compete with China in security, economic, and other terms, he went on to emphasize “we believe China can be a partner, but we’re also sending a very clear signal that America is a Pacific power, that we are going to have a presence there...And we’re organizing trade relations with countries other than China so that China starts feeling more pressure about meeting basic international standards.”³

Obama’s reengagement policy toward the Asia Pacific indeed underlined a stronger American determination to compete more broadly for influence in the region.⁴ The security aspects of the so-called pivot to Asia received high-level attention by the president, secretary of defense and secretary of state. They explained in speeches throughout the Asia-Pacific region and in the release of a defense planning document in January 2012 the purpose and scope of U.S. redeployment of forces from the Middle East and other areas to the Asia Pacific and the determination of leaders to sustain and advance U.S. security relations and power despite anticipated cuts in overall defense spending. Actual advances in force deployments remained modest though the scope, tempo, and intensity of U.S. military interactions with the region continued to grow.

American diplomatic activism in support of its interests was registered with an impressive advance in senior U.S. leaders headed by Obama traveling to the region and participating actively in bilateral relations and in existing and newly-emerging regional groupings involving

the United States. Problems impacting U.S. interests in regional stability, freedom of navigation, and relations with allies and partners saw leaders take an active role in discussing ways to manage and hopefully ease tensions over sensitive sovereignty and security concerns in disputed maritime territories along China's rim.

As Obama indicated in his remarks in the October debate, the United States also was more active in competing in support of its economic interests as part of the reengagement with Asia. A highlight of U.S. interest has been the proposed Trans-Pacific Partnership FTA involving the United States and countries on both sides of the Pacific in an arrangement seen moving forward American interests in regional and international trade liberalization. The proposed agreement is viewed as competing with groupings favored by China that require less trade liberalization and that exclude the United States.

Chinese media and officials condemned the so-called China bashing seen in the American presidential and congressional election campaigns. Chinese leaders remained firm in deflecting American pressure on the value of China's currency and broader trade practices and strongly rebuffed U.S. efforts to get China's cooperation in dealing with some sensitive international issues, notably the conflict in Syria. China continued to give priority to nurturing close ties with the new North Korean leadership despite repeated provocations such as long-range ballistic missile tests in April and December 2012 and U.S. calls for greater pressure on Pyongyang. It remained to be seen what significant changes, if any, would come from North Korea's third nuclear weapons test in 2013.⁵

Concurrent with the increased competition between the United States and China for influence in the Asia Pacific, China resorted to extraordinary demonstrations of state power, short of direct use of military force, in response to perceived challenges by U.S. allies, the Philippines and Japan, regarding disputed territory in the South China Sea and the East China Sea. Chinese commentary accused the United States of urging neighboring countries to be more assertive in challenging China's claims as part of alleged efforts to contain China under the rubric of Obama's reengagement with the Asia-Pacific region. Top Chinese leaders countered American supported efforts for dealing with the disputed claims and also highlighted regional trade arrangements that excluded the United States in order to undermine American-led efforts to advance U.S. interests through the TPP.⁶

Against this backdrop, David Shambaugh joined other commentators in concluding at the end of the year that the overall U.S.-China relationship has become "more strained, fraught and distrustful." Intergovernmental meetings meant to forge cooperation are becoming more pro forma and increasingly acrimonious, he said; the two sides wrangle over trade and investment issues, technology espionage and cyber hacking, global governance challenges like climate change and Syria, nuclear challenges like Iran and North Korea, and their security postures and competition for influence in the Asia-Pacific.⁷

THE TROUBLING MIX OF TERRITORIAL DISPUTES AND CHINESE DOMESTIC POLITICS

The reengagement in Asia ran up against rising Chinese assertiveness and coercive and intimidating actions to protect and advance Chinese sovereignty and security interests in

disputed territories along China's rim. The Chinese actions have been influenced and strongly supported by broad and patriotic elite and public opinion that viewed the U.S. activism as a justification for China to take more coercive actions to protect and advance its interests. In effect, the U.S. and Chinese initiatives represented the most important challenge or test of the durability of cooperative Sino-American engagement during 2012. The testing has continued into 2013.

The roots of China's recent assertiveness and expansion in disputed parts of nearby Asia go back to 2009. In general, the assertiveness seen in 2009-2010 focused on disputes regarding Korea, Japan and Southeast Asia and on the United States for its role in the region and key issues in U.S.-China relations including Tibet and arms sales to Taiwan. There appeared to be divergence of opinion in Beijing on how forceful or not China should be in dealing with various disputes. Those arguing against assertive Chinese behavior, which disrupted China's continued emphasis on peaceful development in foreign affairs, seemed to attain the upper hand in the debates by late 2010. President Hu Jintao's visit to the United States in early 2011 came amid some moderating signs in recent Chinese assertiveness.

Nevertheless, the pattern of assertiveness resumed and showed remarkable features in defending Chinese disputed claims in the South China Sea and the East China Sea.⁸

Round One

The first round of Chinese assertiveness over territorial issues in 2012 involved the South China Sea. Authorities used extraordinary demonstrations of security, economic, administrative, and diplomatic power to have their way:

- China employed its large and growing force of maritime and fishing security ships, targeted economic sanctions out of line with international norms and WTO rules, and repeated diplomatic warnings to intimidate and coerce Philippine officials, security forces, and fishermen to respect China's claims to disputed Scarborough Shoal.
- China showed stronger resolve to exploit more fully contested fishing resources in the South China Sea with the announced deployment of one of the world's largest (32,000 ton) fish processing ships to the area and the widely publicized dispatch of a fleet of thirty fishing boats supported by a supply ship to fish in disputed areas.
- China created a new, multifaceted administrative structure backed by a new military garrison that covered wide swaths of disputed areas in the South China Sea. The coverage was in line with broad historical claims depicted in Chinese maps with a nine-dashed line encompassing most of the South China Sea. The large claims laid out in Chinese maps also provided justification for a state controlled oil company to offer nine new blocks for foreign oil companies development that were far from China but very close to Vietnam. Against this background, little was heard in recent Chinese commentary of the more moderate explanation of territorial claims made by the foreign ministry spokesperson on February 29, 2012 who said that China did not claim the "entire South China Sea" but only its islands and adjacent waters.
- Chinese authorities later prompted some alarm when provincial authorities announced that maritime police patrols would board and hold ships carrying

out illegal activities in the claimed Chinese areas of the South China Sea. And Vietnam and the Philippines as well as Taiwan joined India and other countries in condemning new Chinese passports that showed the South China Sea and other disputed areas along the rim of China as Chinese territory.

- China advanced cooperative relations with the 2012 ASEAN chair, Cambodia, thereby ensuring that with its cooperation South China Sea disputes did not receive prominent treatment in documents in the annual ASEAN Ministerial Meeting in April and later ASEAN related meetings in November. A result was strong division on how to deal with China that resulted in unprecedented displays of ASEAN disunity at those meetings.

Chinese officials and official media commentaries endeavored to bind and compartmentalize the South China Sea disputes. Their public emphasis remained heavily on China's continued pursuit of peaceful development and cooperation during meetings with Southeast Asian representatives and those of other concerned powers including the United States. What emerged was a Chinese approach having at least two general paths:

1. One path showed South China Sea claimants in the Philippines, Vietnam, and others in Southeast Asia, as well as their supporters in the United States and elsewhere how powerful China had become in disputed South China Sea areas; how China's security, economic, administrative, and diplomatic power was likely to grow in the near future; and how Chinese authorities could use those powerful means in intimidating and coercive ways short of overt use of military force in order to counter foreign "intrusions" or public disagreements regarding Chinese claims.
2. Another path forecast ever closer "win-win" cooperation between China and Southeast Asian countries, ASEAN, and others including the United States. It focused on burgeoning China-Southeast Asian trade and economic interchange and was premised on treatment of South China Sea and other disputes in ways that avoided public controversy and eschewed actions challenging or otherwise complicating the extensive Chinese claims. China emphasized the importance of all concerned countries to adhere to efforts to implement the 2002 Declaration of the Conduct of the Parties in the South China Sea (DOC). It duly acknowledged recent efforts supported by ASEAN to reach the "eventual" formulation of a code of conduct (COC) in the South China Sea, implying that the process of achieving the latter may take some time.

In sum, China set forth an implicit choice for the Philippines, Vietnam, other Southeast Asian disputants of China's South China Sea claims, ASEAN, and other governments and organizations with an interest in the South China Sea, notably the United States. On the one hand, based on recent practice, pursuit of policies and actions at odds with Chinese claims would meet with more demonstrations of Chinese power along the lines of the first path, above. On the other hand, recent leaders' statements and official commentary indicated that others' moderation and/or acquiescence regarding Chinese claims would result in the mutually beneficial development seen in the second path. The Philippines, Vietnam, and other disputants of Chinese claims did not seem to be in an advantageous position in the face

of Chinese power and intimidation. ASEAN remained divided on how to deal with China. And options of the United States and other concerned powers to deal effectively with the new greater muscle, short of military use of force, in Chinese practices regarding the South China Sea remained to be determined.

Round Two

The second round of Chinese assertiveness on sensitive sovereignty and security issues came with the more widely publicized and still ongoing dispute with Japan over the Diaoyu/Senkaku Islands.⁹ Even more so than in the recent case in the South China Sea, China's response to a perceived affront by Japan involved a variety of extralegal measures sharply contrary to international norms. They included, in particular, trade sanctions and failure to provide security for Japanese people and property in China. As large demonstrations emerged in over one hundred Chinese cities fostered by well-orchestrated publicity efforts of authorities, the security forces tended to stand aside as agitated demonstrators destroyed Japanese properties and manhandled Japanese citizens. The displays of violence were eventually mildly criticized by Chinese official media commentary but the publicity organs were full of support of Chinese peoples' "righteous indignation" against Japan as the violence spread throughout the country. Meanwhile, the authorities deployed maritime security forces and took legal steps that showed Japan and other concerned powers that the status quo of Japan's control of the islands had changed amid continued challenge from China employing security forces and other means short of direct use of military force.

Popular and elite opinion reacted positively to the Chinese actions in the South China Sea and the East China Sea. Some Chinese officials and media also viewed approvingly the reaction of the United States, which was seen as less willing in 2012 to confront China on such assertive actions than in the period of disputes in 2010.

Chinese media flagged with prominent headlines Obama's reassurance to Prime Minister Wen Jiabao in Phnom Penh on November 20, 2012 that the United States "will not take sides on disputes" in the seas bordering China. They noted positively the president's voiced conviction that China's peaceful rise and success is in the interests of the United States as it is "crucial to world security and prosperity." A commentary by a specialist in the Chinese foreign ministry affiliated think tank said that the "smarter" reengagement with Asia features a change in favor of China, a "more cautious" U.S. approach toward territorial disputes in the region, whereas it was said in the recent past to have been "active and even aggressive in interfering in the regional territorial disputes."¹⁰

In sum, Chinese elite and public opinion saw China triumphing with effective use of often extralegal coercive measures to advance territorial claims and show firm resolve against perceived challenges. Some foreign and Chinese specialists also observed that unlike the debates and various policy options stressed in Chinese commentary during the period of assertiveness in 2009-2010, the actions and commentary regarding the South China Sea and the East China Sea in 2012 showed effective coordination and little sign of debate even though the Chinese actions involved extraordinary use of coercion, intimidation, and extralegal means well beyond the pale of international norms said to be respected by the Chinese government.

COOPERATION AND MODERATION

On the other side of the ledger in 2012 were Sino-American developments arguing for continued pragmatism on both sides in seeking to manage escalating competition without major incident. The overall trend of resilient and positive U.S.-China engagement continued. Among instruments serving to moderate the frictions, the wide range of official exchanges through an array of over seventy bilateral dialogues continued and made significant progress in several areas. An important dialogue initiated in 2011 reportedly at China's request involved U.S.-China relations in the Asia-Pacific region. They also provided mechanisms for dealing with contentious issues and advancing common ground. The on-again off-again pattern of exchanges between the military leaders of both countries—the weakest link in the array of dialogues between the two countries—was on-again with improved exchanges in 2012.¹¹

The so-called Taiwan issue—historically the leading cause of friction between the United States and China—has remained on a recent trajectory of easing tensions. The sharp turn by the Taiwan government from longstanding and often virulent competition to extensive engagement with China came with the election of President Ma Ying-jeou in 2008. The change was strongly welcomed by the Chinese and American governments. In January 2012 the reelection of Ma validated the continued moderate approach to cross strait relations, foreshadowing closer engagement along lines welcomed by both Beijing and Washington. A possible exception to U.S.-Chinese convergence over Taiwan is American arms sales sought by Taiwan, which are always a sensitive issue in China and in recent years have, at times, prompted stronger Chinese reactions than in the past.¹²

Despite pervasive Sino-U.S. distrust, there were also episodes over the past year demonstrating notable cooperation and seeming trust building. On February 6, 2012 Wang Lijun, head of police in Chongqing municipality and a key actor in what would turn out to be the most important Chinese leadership purge in many years, drove to Chengdu and entered the American consulate there, reportedly fearing for his life and seeking refuge. While there he was said to have shared information about abuses of power carried out by Chongqing leader and prominent Communist Party Politburo member Bo Xilai and his wife, notably involving the murder of British businessman Neil Heywood. Wang left the consulate the next day, was arrested and taken to Beijing where he was tried and sentenced in September.

Wang's seeking American help in Chengdu began a major crisis for the Chinese leadership then in the final stages of delicate and highly consequential arranging of leadership succession plans for the 18th Communist Party Congress, which was eventually held in November. The central authorities removed Bo from power in April, and later expelled him from the Communist Party, opening the way for criminal prosecution. Bo's wife was convicted of the murder of Heywood in August. Throughout the crisis faced by Chinese leadership as they dealt with the egregious abuse of power by Bo, his wife and associates, and their wide implications for the leadership succession plans, the American government refused comment and disclosed nothing of what Wang had said during his stay in the consulate. A less discreet U.S. approach could have had complications for the top leaders managing the scandal and its broader consequences. There are few better ways to build trust between two wary states than one side [the United States in this case] choosing to

behave in the interests of the other [China] during a period of crisis when it could easily damage the other in serious ways.¹³

An instance of close and successful cooperation over highly sensitive issues involving sovereignty and strong national sentiment was the Sino-American handling of the case of Chen Guangcheng. The prominent Chinese civil rights activist in April 2012 escaped house arrest and fled from his home province to Beijing, where he eventually took refuge in the U.S. Embassy. After several days of talks between U.S. officials working with Chen on one side and Chinese officials on the other, a deal was reached to safeguard Chen and his family, providing Chen with medical treatment. He subsequently changed his mind and sought to go to the United States with his family. He appealed for American support, notably in a highly publicized phone conversation directed to a U.S. congressional committee hearing. Intensive renewed U.S.-Chinese talks concurrent with the annual Security and Economic Dialogue between leaders then underway in Beijing resulted in a second deal where Chen and his family were allowed to leave on May 19.¹⁴

Meanwhile, the Obama government has endeavored in recent months to stress its interests in sustaining broader and deeper American engagement with the Asia-Pacific region, while playing down emphasis in the recent past on American security and military moves that add directly to the growing security dilemma with China. Obama's trip to Southeast Asia and meetings with regional leaders at summits in November received extraordinary U.S. government publicity. In a notable departure from past practice, U.S. National Security Advisor Thomas Donilon left the White House and gave a public speech at a Washington think tank supporting the president's trip. He stressed sustained engagement in non-security as well as security areas and played down competition with China. The normal press briefing on the trip also broke with past practice by identifying the senior officials doing the briefing in an on-the-record manner, making the transcript more widely used and authoritative. The detailed remarks underscored the National Security Advisor's emphasis on sustained cooperation along a broad array of economic, diplomatic as well as security areas and soft-pedaled competition with China.¹⁵

The president's trip was heralded by visits to the region by the secretary of defense and the secretary of state, both of whom emphasized the broad and multifaceted reasons for strong and sustained American engagement with Asia. Competition with China was not a prominent feature of their trips. U.S. moderation in handling sensitive territorial issues in the South China Sea and the East China Sea, and China's repeated extraordinary use of coercive measures and intimidation short of employing military force in order to make advances were duly noted with approval by some Asian and American commentators, including some in China. The U.S. stance was seen as different from the more direct American statements and interventions during similar high-level U.S. official meetings with Asian leaders including Chinese leaders in 2010 and 2011.¹⁶

Finally, specialists on both sides seemed to agree that effectively managing differences through a process of constructive engagement remains in the interests of both countries.¹⁷ American specialists have noted three general reasons for this judgment:

- Both administrations benefit from positive engagement in various areas. Such engagement supports their mutual interests in stability in the Asia-Pacific, a

peaceful Korean Peninsula, and a peaceful settlement of the Taiwan issue; U.S. and Chinese leaders recognize the need to cooperate to foster global peace and prosperity, to advance world environmental conditions, and to deal with climate change and non-proliferation.

- Both administrations see that the two powers have become so interdependent that emphasizing the negatives in their relationship will hurt the other side but also will hurt them. Such interdependence is particularly strong in Sino-American economic relations.
- Both leaderships are preoccupied with a long list of urgent domestic and foreign priorities; in this situation, one of the last things they would seek is a serious confrontation in relations with one another.
- Prominent Chinese specialists visiting Washington at the end of 2012 underscored the futility of conflict and the need for cooperation in a somewhat different way. They averred that the U.S.-China relationship has become increasingly important to both sides and that three “realities” compel the two governments to seek ways to manage their differences while trying to broaden common ground:
- Each country is too big to be dominated by the other.
- Each country has too unique a political and social structure to allow for transformation by the other.
- Each country has become too interdependent with the other to allow conflicts to disrupt their relationship.

OUTLOOK: CONTINUED PRAGMATISM AMID CAUSES OF CONCERN

In the view of this observer’s experience with the ups and downs of U.S.-China relations since the opening of relations over forty years ago,¹⁸ the balance of competition and accommodation reviewed above argues for cautious optimism that pragmatic considerations will remain primary in both the reelected Obama administration and the incoming administration of Xi Jinping. Both governments will be constrained from harsh actions toward one another by ever-deepening interdependence; and the forecast for both involves a variety of high priority and difficult issues that will reinforce their respective interests in avoiding serious problems with one another. Of course, the competitive aspects of the relations appear to be growing, making forward movement difficult.

American domestic politics also promise to be an overall drag on progress in U.S.-China relations.¹⁹ American public opinion and media coverage that tends to reflect public opinion show a majority of Americans disapprove of the Chinese government and its policies and practices. The majority is a slim one, and younger Americans are seen to have more favorable views of China. There also seems to be a consensus among Americans that the government should eschew serious trouble with China. For example, only a small minority of Americans favors coming to Taiwan’s defense in the face of a Chinese military attack.

Adhering to its mission to protect the United States from present or future dangers, the large U.S. defense, intelligence and overall security apparatus and their supporters in Congress, business and among the public and media reflect a wary view of China's rise as a strategic power. The implications of China's rise for the balance of power in the Asia Pacific and U.S. interests in relations with allies and other countries in the region are high on the list of concerns for these Americans.

U.S. congressional opinion tends to be more negative toward China than overall public opinion. There are two congressional created commissions who see their mission as highlighting various actions of the Chinese government at odds with American interests. Nonetheless, many in Congress reflect the interests of business constituents who are investing in China or otherwise have an important stake in the burgeoning U.S.-China economic relationship. And many members of Congress have been active in several congressional working groups that regularly hold dialogues with Chinese counterparts, often leading to more nuanced views. Meanwhile, congressional attention on China issues has been secondary to more important domestic issues and more pressing international crises such as Iran, Syria, and the broader Middle East. Congress in recent years also has demonstrated a strong tendency to defer to the president and not to assert its prerogatives on China or other foreign policy issues unless there is no serious danger for the United States and particularly for U.S. military service personnel and the president's policies seem to have failed.

Reflecting pragmatism amid continued wariness about China, Obama upon reelection did not follow Romney's injunction to label China as a currency manipulator. Rather the Treasury Department followed past practice in its periodic reports on these matters with muted treatment of China. Following Obama's moderate approach to China during his visit to Southeast Asia, officials at all levels played down the sensitive security and competitive aspects of the reengagement policy that had been featured in public pronouncements in 2011 and early 2012.

CHINA'S UNCERTAIN OUTLOOK

The course of Sino-American relations has always involved serious obstacles, differences, and possible flash points that if not managed effectively could lead to sharp deterioration in U.S.-Chinese relations. The judgment of this assessment is that these obstacles and differences are offset for now by the strong reasons for pragmatic engagement noted above. Nevertheless, prudence requires care in considering the main uncertainty we currently face as to what degree the Xi Jinping government intends to deal pragmatically with the United States. Xi participated in the decision making behind Chinese behavior in 2012 which showed a pattern of exploiting incidents in nearby seas and thereby expanded Chinese control of contested territories and territorial rights through extraordinary use of coercion and intimidation short of direct application of military force. The fact that the United States has done little and others seem unwilling or unable to take strong actions in the face of Chinese advances adds to reasons why domestic decision makers and broader Chinese elites and public opinion are said to see the Chinese advances as victories for China. Their sense of triumph is viewed by some prominent specialists in China and abroad to argue for further Chinese expansion at the expense of U.S. allies and associates.

The rise in international tensions among China and other claimants to disputed territory and natural resource claims in the South China Sea and the East China Sea seems likely to continue. Confrontations between Chinese and other claimants' maritime security vessels, fishing ships, and oil survey vessels have been accompanied by repeated protests, economic and diplomatic sanctions and threats, and popular demonstrations in the respective countries. Such confrontations have occurred in the past and resulted in military clashes with many casualties, notably between China and Vietnam in 1988. Thus far, the recent rise in tension has not escalated to the point of military conflict, though the factors driving competition over the contested territory are increasing in importance.

Among factors driving competition is the perceived growing need to exploit energy and fishing resources in the contested seas. Vietnam and the Philippines see oil exploitation in the South China Sea as particularly important for their development. China views the enhanced oil and gas exploitation of the sea resources by Hanoi and Manila as further unjustified infringement on the very broad and not well-defined Chinese sovereign claim to all South China Sea islands and related resources; China also has demonstrated stronger efforts than in the past to exploit the oil and gas resources in the South China Sea areas claimed by others and in the East China Sea in areas claimed by Japan.

The rising tensions in the nearby seas also have important security dimensions for China involving the United States. Chinese commentators claim that Japan and the Philippines, formal allies of the United States, and Vietnam, a state building closer military ties with the United States, have been emboldened and supported by the United States in their confrontations with China. The rise in protests and disputes over the contested seas is linked with U.S. re-engagement with Asia-Pacific countries that is seen to foreshadow stronger American-Chinese security, economic, and diplomatic competition. Chinese commentators complain that American "meddling" in the disputes is designed to divide China from its neighbors and weaken China's overall influence in nearby Asia as the United States endeavors to strengthen its strategic position along China's periphery. A stronger American strategic position along China's periphery and stronger perceived efforts to compete with China for influence in the Asia-Pacific, to weaken China's position and to divide China from its neighbors, add to a sense of insecurity among Chinese commentators and officials. Meanwhile, popular and elite opinion is seen by Chinese and foreign commentators to compel Beijing to adopt tough positions regarding dealing with the South China Sea and the East China Sea and related issues with the United States.²⁰

Foreign specialists judge that a good deal of the impetus for popular and elite pressure for a tough Chinese approach on these territorial issues rests with the type of nationalism that has been fostered with increased vigor by Chinese authorities. Patriotic discourse emphasizes that since the 19th century, China has been treated unjustly and its territory and related sovereign rights have been exploited by other powers; China remains in a protracted process building power sufficient to protect what China controls and regain disputed territory and rights. On the whole, the patriotic discourse leads to a sense of "victimization" by Chinese people and elites, who are seen having greater influence on decision making on foreign affairs now that strong-man politics have given way to a collective leadership more sensitive to nongovernment elites and popular views.²¹

The strong patriotism fostered by Chinese authorities has included extensive efforts to build an image of China as a righteous actor on the world stage, different from the other world powers seen to follow selfish pursuits of their interests. These efforts have been carried out by: the Chinese foreign ministry; various other government, party and military organizations that deal with foreign affairs; various ostensibly nongovernment organizations with close ties to Chinese government; party and military offices; and the massive publicity/propaganda apparatus of the Chinese administration. They boost China's international stature while they condition people in China to think positively about Chinese foreign relations.

China's foreign policy is said to follow principles in dealing with foreign issues which assure moral positions in Chinese foreign relations. Principled and moral positions provide the basis for effective Chinese strategies in world affairs. Remarkably, such strategies are viewed to ensure that China does not make mistakes in foreign affairs, an exceptional position reinforced by the fact that the PRC is seen to have avoided publicly acknowledging foreign policy mistakes or apologizing for its actions in world affairs. Undoubtedly, some Chinese foreign policy officials and specialists privately disagree with the remarkably righteous image of Chinese foreign relations; but they do not depart from the official orthodoxy, which is broadly accepted by elite and public opinion. Whatever criticism elites and public opinion register against Chinese foreign policy tends to focus on being too timid and not forceful enough in dealing with foreign affronts.

Today, China's image building efforts support a leading role for China in Asian and world affairs, which enjoys broad support from the Chinese people and various constituencies in China. They forecast optimistically that China will follow benign policies emphasizing recent themes stressed by the administration. The themes include promoting peace and development abroad, eschewing dominance or hegemonism in dealing with neighbors or others even as China's power grows, and following the purported record of historical dynasties in not seeking expansionism as China's power increases.

In contrast, many of China's neighbors and foreign specialists see the evidence of a moral, principled and benign foreign approach has been the exception rather than the rule in the zig-zags of often violent foreign relations of the PRC through much of its sixty years. This has been the case particularly in the area surrounding China. Most of China's bordering neighbors have experienced intrusions or invasion by PRC security forces; they and others further away have contended with insurgent armies or armed proxies fully supported by China and targeting them. Such violence and excesses continued after Mao Zedong's "revolutionary" rule. Strong Chinese support for the radical Khmer Rouge increased in the later Maoist years and remained high throughout Deng Xiaoping's rule. During such turmoil, Chinese leaders avowed support for principles and righteousness in foreign affairs, but from the viewpoint of the neighbors and foreign specialists, the principles kept changing and gaps between principles and practice often were very wide.

In the post Cold War period, China has tried to reassure neighboring leaders who well remember the violence and threatening Chinese practices of the past. China's recent behavior in the South China Sea and East China Sea has been seen by neighbors as intimidating and truculent, recalling past intimidation and coercion. Part of the problem in efforts at reassurance is that Chinese elite and popular opinion shows almost no awareness of past

Chinese excesses, and therefore has little appreciation of the reasons behind the wariness of many neighboring governments, and of the main outside power in the region, the United States. Regarding the latter, one other practice noted earlier, seen throughout the history of PRC foreign relations and supported by the strong patriotic discourse in China has been to register strident opposition to efforts by outside powers to establish and sustain positions of influence and strength around China's periphery. Such moves by the United States and the Soviet Union in the past and Japan and India up to the present, are repeatedly seen by Chinese authorities as well as elite and public opinion in grossly exaggerated terms of threat to China, a revival of Cold War "containment."²²

Chinese elite and popular opinion, which is strongly influenced by patriotic discourse emphasizing victimization by other powers, also involves a unique and strong sense of morality and righteousness in foreign affairs. As a result, Chinese opinion tends to see whatever problems China faces with neighbors and other concerned powers including the United States over sensitive issues of sovereignty and security in nearby areas as caused by them and certainly not by China. Accordingly, it has little patience with the complaints of other claimants and calls by some of them and other concerned powers for China to compromise on sensitive issues involving sovereignty and security.

If China continues its assertive advances into disputed nearby territories, such actions are likely to be seen as a direct test of U.S. resolve as a regional security guarantor under the rubric of the Obama reengagement policy in the Asia-Pacific. The Chinese advances would make more likely confrontation between a more assertive China and a reengaging United States. Thus, the willingness and ability of China's leaders to curb recent assertiveness and deflect public and elite pressures for tougher foreign policy approaches represents, perhaps, the most important indicator of whether or not U.S.-Chinese relations will remain on a path of pragmatic engagement with leaders on both sides carefully managing differences to avoid confrontation and conflict. Against this background, it was reassuring that Chinese leaders from Xi Jinping on down took pains to warmly welcome visiting U.S. Treasury Secretary Jacob Lew and visiting U.S. Secretary of State John Kerry during their respective visits to China in March and April 2013. The two sides underlined common ground on Korean denuclearization, broadened the purpose and scope of Sino-American official dialogues, and announced the convening of the high level Sino-American Security and Economic Development Dialogue in the United States in July 2013. In this way, they reaffirmed a commitment to managing differences while both competing and cooperating in important ways.²³

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China and Russia

Sergey Radchenko

When in November 2012 the CCP unveiled its new Political Standing Committee, with Xi Jinping at its head, Russian Prime Minister and the Chairman of the United Russia Party Dmitrii Medvedev sent Xi a congratulatory message, which was strangely reminiscent of similar messages that were regularly exchanged between Moscow and its socialist allies during the Cold War. Practically every line of that message had a feeling of *déjà vu*: Medvedev’s praise for China’s successes “under the leadership of the CCP,” his reference to the “implementation of the decisions of the 18th Congress of the CCP,” and, most of all, his well wishing for the “friendly Chinese people” [*druzhestvennyi narod*]. This last term is evocative of an alliance between peoples, as in Sino-Soviet relations of the 1950s, and one that Russian officials would not think of using with respect to the “American people.” Medvedev fell short of calling Xi a comrade, settling for “mister” (he was outdone by leaders of the other key Russian parties, the Communist Party and Just Russia, both of whom congratulated “Comrade Xi”) but the general thrust of his message, as of many official pronouncements of recent months, reflects a bloc mentality, underpinning old-style relations.

The official Russian position – apparent from Foreign Ministry statements – is that it is, in principle, against bloc politics, but there is a stark gap between this and the discourse on Sino-Russian “friendship” evident above. For the architects of Russia’s foreign policy, especially for Vladimir Putin who invested himself into building closer ties with China, this relationship is perceived as part of Moscow’s opposition to Washington. Russian policy makers believe that Putin’s worldview will win adherence among the Chinese leadership, who will see that the Americans are trying to contain China just as they once contained the Soviet Union. For his part, Xi, in pursuit of what he calls the “Chinese dream,” has adopted a more assertive foreign policy than his predecessor. This has already raised concerns in the West and among China’s neighbors about Beijing’s intentions, in turn reinforcing Chinese leaders’ perceptions of U.S. containment. In an atmosphere of growing, mutual mistrust between Beijing and Washington, Putin’s anti-Americanism has certain appeal for Xi. As he recently put it in Moscow, “The Chinese and the Russian dreams coincide.”¹

Putin and Xi are of the same generation (born, respectively, in 1952 and 1953). Both matured when their countries were at the brink of war with each other. But unlike Putin, who has been deeply involved in the Sino-Russian rapprochement since the late 1990s and dealt with three generations of Chinese leaders, Xi is a relative newcomer. While Putin’s views on China are fairly clear, what Xi thinks of the prospects of this “strategic partnership” remains to be seen. This chapter recounts recent developments in relations with emphasis on cooperation in the context of the Shanghai Cooperation Organization (SCO) and BRICS, their trade relationship, their roles in Central Asia, and Russia’s perceived vulnerabilities in Siberia and the Far East. While Sino-Russian relations have a positive dynamic, there are also serious problems that may threaten long-term cooperation if China does not take a leadership role in ways that redress Moscow’s concerns about being marginalized.

SCO AND BRICS

A decade ago, the establishment of the SCO caused excited commentary in the West. Assessments ranged between alarmist warnings about a Eurasian NATO in the making, to skeptical dismissals of a toothless structure that superficially brought together countries that had little in common except for shared anti-Americanism, and that papered over serious

internal contradictions. In retrospect, both were somewhat off the mark. The SCO has not become another NATO. Russian regional security needs are served much better (in the Kremlin's view) by the Collective Security Treaty Organization (CSTO), which excludes China. Moscow has adopted a "go slow" approach with the SCO, emphasizing economic cooperation, and resisting any FTA or expansion of membership. Russian policy makers reportedly view India's involvement with the SCO (India is presently an observer) as potentially a Trojan horse for U.S. efforts to ruin the dynamics of the organization (China is also opposed).² Yet, the SCO has seen more positive cooperation than skeptics would allow, including (largely symbolic) military exercises, a counter-terrorism and counter-narcotics agenda, and intelligence sharing. In a significant development, the SCO endorsed (in careful terms) Russia's position in the 2008 conflict with Georgia, even though such endorsement was difficult for Beijing, which feared that parallels may be drawn between South Osetia/Abkhazia and Xinjiang/Tibet/Taiwan. China did not publicly oppose Russia's recognition of the former two – "taking into consideration its strategic partnership with Russia," according to Chinese officials.³

More recently, SCO activities have been overshadowed by BRIC (Brazil, Russia, India, China), later joined by South Africa to make it BRICS. In the 1980s, Mikhail Gorbachev briefly advocated the USSR-India-China triangle (under Soviet leadership, needless to say), and even floated the idea of extending it to embrace Brazil. The other powers were not keen to see Soviet sponsorship, and India and China had too many irreconcilable problems to be drawn into any triangles. It did not help that from the outset there was a subtle anti-American aspect to the idea, and New Delhi and Beijing had priorities in this regard which did not square with Gorbachev's interests.⁴

Today's BRICS shares some of the problems Moscow encountered in the 1980s. Sino-Indian dialogue has gone a long way since Rajiv Gandhi's path-breaking visit to Beijing in December 1988. However, unresolved issues plague the relationship, none more serious than the territorial dispute. Intensifying competition threatens to erode the political *modus vivendi*. Russian-Indian relations – healthy in political terms – suffer from Moscow's inability to gain new ground on the Indian market. India remains a major customer of Russian weapons and nuclear reactors, a Cold War tradition. Participation of Brazil and South Africa adds credence to the views of skeptics who dismiss BRICS as simply a "propaganda balloon" of anti-American orientation.⁵ Yet, it would be simplistic to reduce BRICS to a platform for venting "multipolar" sentiments. While BRICS summits stress this, there has been a greater effort to go beyond general proclamations in elaborating a structural foundation of a post-American world order, which would entail greater prominence for the emerging economies in the IMF and the World Bank, development of new reserve currencies (this uncertain prospect has been popular in Moscow), and the creation of new financial institutions that would supposedly reflect the true interests of the developing world. At the latest summit in Durban, South Africa (March 26-27, 2013) there was talk of the establishment of a development bank and a financial safety net in the event of an economic crisis. With the development bank, it is not clear where the money would come from, or where it would go.⁶ If China underwrote the bank, it would surely want the biggest say, something that other participants would find hard to accept. If each country contributed equally, the bank would have little money to spend. Reworking the world order along BRICS lines appears very difficult to implement.

ENERGY AND WEAPONS

The Sino-Russian trade relationship has experienced dramatic growth in the last decade, despite the temporary setback occasioned by the global financial downturn. In 2012, the trade turnover reached \$88 billion amid wide expectations of continued growth. China has replaced Germany as Russia's number one trading partner (conversely, the relationship matters quite a bit less for China),⁷ but this relationship is plagued by a number of persistent and perhaps unsolvable problems. The key problem, from the Russian perspective, has been the "structure" of trade: more than half of Russia's exports to China are oil or oil products (primarily crude), with most of the rest taken up by other natural resources, including metals and lumber.⁸ Technology makes up a small fraction of the export volume, even as Russia imports primarily finished products and machines from the PRC. Russia has become a natural resources appendage, feeding the insatiable appetites of Chinese industry. The Kremlin values the "energy dialogue," in part because it provides a material basis for the strategic partnership, which would otherwise be confined to general proclamations of solidarity, but also because it allows Russia to reduce its dependence on European markets and serves the strategy of integrating into the Asia Pacific.

Russia's continued export of natural resources to China also has disadvantages in the long term. Russia has only limited leverage in negotiating prices, and China, for all the fraternal feelings, drives a hard bargain. Moscow tries to diversify its market presence in East Asia by playing China off against the Japanese and the South Koreans. This reportedly underpinned its decision to scrap plans by the defunct Yukos to build a pipeline from Angarsk to Daqing in favor of a much more ambitious project, now known as the East Siberia Pacific Ocean (ESPO) pipeline, which, when complete, will bring Russian oil to Nakhodka, from where it can then be exported. ESPO also branches out to Daqing – the spur pipeline in operation since 2011 built with a credit of \$25 billion from China's Development Bank to complete the ESPO, in return for the annual supply of fifteen million tons of crude for twenty years. Already one of the most expensive pipeline projects of all times, ESPO has recently gained notoriety in Russia due to allegations of corruption and astounding misuse of funds.⁹

As the details of the contract are unknown, there has been speculation that Russia is pumping the oil at embarrassingly low prices. While this is probably not the case,¹⁰ Russian suppliers Rosneft and Transneft had recurrent difficulties with the Chinese oil major CPNC, which, for more than a year, paid less than the agreed price, accumulating vast debts to Russia. Transneft even threatened to break off the contract and repay the Chinese loan.¹¹ No one took these threats seriously, however, because the money had already been invested in building the pipeline and the spur to Daqing. In recent talks, Transneft and Rosneft agreed to give their Chinese partners a discount of 1.5 dollars on each barrel of oil, three billion dollars over the term of the contract,¹² a fraction of the discount the Chinese were seeking. The CNPC, not without the Chinese government's intervention, bowed before the political imperative of keeping the Russians happy, but in the end, the dispute points to China's increasing ability to dictate the terms of trade with a "junior partner." In the meantime, Japan's reluctance to get involved in expensive investment projects in Siberia means that Russia increasingly relies on China's credit, heightening public fears of its quiet penetration of the Russian economy.

Similar problems have plagued negotiations over gas supplies, under discussion since the 1990s. The Russians would like to sell gas at 'European' prices, while the Chinese are

offering to pay quite a bit less due to domestic price caps. Gazprom has been reluctant to commit to the construction of massive pipelines unless the CNPC agrees to pay more for the eventual annual supply of 68 billion cubic meters of gas. As the former head of Gazprom's External Relations Department Ivan Zolotov explained in a private conversation, "We're not going to spend that kind of money just to satisfy political imperatives," adding that Gazprom "would not sink the company to please politicians."¹³ This unresolved quarrel continues to embarrass the strategic partnership. Vladimir Putin tried to broker a breakthrough in a series of talks with the Chinese leadership in 2011, and during his visit to Beijing in June 2012. The issue was also raised during Xi Jinping's trip to Moscow in March 2013,¹⁴ yielding an agreement to agree on the price by the end of the year. Russia will have to compete with cheaper gas from Kazakhstan and Turkmenistan at a time of a global gas glut, and face an uncertain future as China invests billions into the development of shale deposits.

Cheaply or dearly, Russia will sell energy resources across the border to China. The energy component of its exports is slated to grow, which can hardly be said of other components, especially advanced technologies. With the exception of nuclear cooperation – one field where Russia maintains a technological edge – Moscow does not have that much to offer the Chinese. Putin recently called for a "technological alliance" between Russia and China, proposing closer cooperation in civil aviation (by which the Russians mean "joint" development of a long-range plane to rival Airbus and Boeing) and space research, with establishment of joint "industrial clusters" and "technological parks."¹⁵ While in the past the Russians have pushed these points much more eagerly than the Chinese, Xi has been willing to recognize that there has to be more to the economic relationship than just oil and gas. Some of these themes featured in the joint statement during Xi Jinping's visit to Moscow, although in exceedingly vague terms.¹⁶ When reading out separate statements, Putin emphasized cooperation in high technology, aviation, and space research, and Xi mentioned only oil and gas. Neither took questions, probably to avoid embarrassment.¹⁷ Indeed, the list of agreements shows that while China and Russia resolved to improve cooperation in the protection of migratory birds, tourism, and, strangely, rabbit husbandry, the real money-makers are once again resource giants like Rosneft, which is looking to double its oil exports.

One reason for meager results from Putin's long-standing effort to redress the structure of trade is the realization in Beijing that China's technological advancement would not stand to gain much from closer ties with Russia, itself sorely in need of modernization. China's increasing investment in research and development, amassed capital, and a capable and educated workforce, make it very unlikely that Russia will ever be able to repair the structural imbalance of bilateral trade. Weapons sales remain Russia's tried solution for escaping dependence on oil and gas exports. As recently as thirty years ago, the Soviet Union had a policy of export controls to prevent inadvertent leakage of dual-use technology to the Chinese. These restrictions were lifted with improving relations, and by the 1990s Russia was selling progressively more advanced weapons, including fighters and anti-aircraft missiles. China was also able to purchase important military equipment from former Soviet republics, notably, the half-built Soviet-era aircraft carrier from Ukraine, a prototype for the future Chinese aircraft carrier force. These sales for a time comprised a respectable percentage of the growing bilateral trade balance. Military sales plateaued. China came to place increasing emphasis on development of its own weapons systems, and Russia became more reluctant to sell the latest weapons. Chinese complained that Russia supplies "stripped-down" versions

of weaponry, while Russian experts accused China of reverse engineering Russian military technology. As Gennady Chufirin argues, “if China wants to expand military cooperation with Russia, it should learn to abide by agreed terms and respect Russia’s priorities.”¹⁸

One example that attracted a lot of attention in the Russian media was Chinese production, under license, of the Su-27 Flanker (J-11 in China). In 1995 the two sides signed an agreement, worth \$2.5 billion, by which China gained the right of assembly of 200 J-11s in Shenyang. Production was stopped in 2004, however, after the assembly of the first 95 planes, and the Chinese proceeded to build an indigenous version, the J-11B, prompting soul-searching in Russia amid fears that the cheaper Chinese planes would compete with the SU-27 in third-country markets. Officials at Rosoboroneksport, the monopoly arms exporter, downplayed the Chinese challenge: “They were confident that customers would continue to buy original Russian arms, rather than cheap [Chinese] imitations” – but military experts have been up in arms about the reports of violation of intellectual property rights, highlighting commercial and security threats in letting the Chinese have the latest Russian technology.¹⁹ In July 2010 the Foreign Policy department of the Russian Presidential Administration reportedly even commissioned a study to explore this sensitive subject.²⁰ “Moscow should stop selling them [the Chinese] the rope to hang us with,” noted Aleksandr Khranchikhin, a Moscow-based expert of distinctly China-unfriendly views.²¹

Russia has been careful to insist on additional guarantees in negotiating new weapons sales (most recently, supply of the long-range fighter SU-35, over which negotiations have gone on for years, with announcements by one or the other side that a deal has been reached, followed by denials and more negotiations). Moscow has insisted on the sale of as many as 48 planes, and Beijing has expressed interest in buying only a few, which only made the Russians more apprehensive. Just as Xi visited Russia in March, the official Chinese media announced that a deal on 24 planes (and four submarines) had been signed but the Russians quickly denied it.²² This back-and-forth bickering highlights Russia’s lingering uncertainty about defense cooperation with China, even as it has shrunk as a percentage of economic ties.

Russia’s Federal Security Service recently announced the arrest of a Chinese citizen on charges of military espionage, a signal of concern about leakage of technology.²³ Such developments as technological plagiarism and military espionage do little to bolster the image of a harmonious Sino-Russian relationship. This will remain a sensitive problem, especially because efforts to impose more stringent control on the export of advanced technologies do not square with Moscow’s priority of redressing the structural imbalance of trade. A solution entails China’s engagement with Russia’s military exporters on terms that do not threaten Moscow’s long-term interests, and its voluntary restraint from competing in third-country markets. If not, it will not be long before views like Mr. Khranchikhin’s gain ground.

SINO-RUSSIAN COMPETITION FOR CENTRAL ASIA

Despite grudging acceptance that Russia does not have exclusive influence in Central Asia, the Kremlin has yet to build up a reserve of tolerance for perceived “outside” interference in regional affairs. Moscow puts on a good show of cooperation in the context of the SCO, whose most important purpose to date has been to harmonize China and Russia’s interests. Indeed, there is considerable affinity of interests: both Beijing and Moscow fear regional instability;

both warily eye efforts to step up the U.S. presence, for instance by securing air base rights; both are interested in access to oil and gas deposits; and both put up with corruption and misrule in the region, as long as the above aims are met. Not to see these common interests, argued Aleksandr Sternik, a Russian diplomat whose portfolio includes Central Asia, is “not to see the forest from the trees.”²⁴ But behind the façade of harmony, Russia and China are increasingly at odds in light of relentless Chinese economic penetration of the region, which Russia finds difficult to counter, both because it cannot afford to be openly critical of Beijing’s involvement, as it has been of Washington’s, and because its more meager means cannot compete in buying allegiance. Both pursue pipeline geopolitics, vying for control over deliveries from the region’s vast oil and gas deposits, as in Turkmenistan, all the more so since the opening of the gas pipeline to China in December 2009. Until then, Turkmenistan relied mainly on Russia for gas exports (there are also two pipelines to Iran but this route has been very problematic). The Turkmens are in a better position to bargain for a better price with reluctant Gazprom, and – unthinkable! – compete with the Russians in pumping gas to China (the pipeline’s capacity could bring up to 40 billion cbm of gas to China by 2014, rivaling Gazprom’s offer). “This project,” announced ‘leader of the nation’ Kurbanguly Berdymukhamedov, “has not only commercial or economic value. It is also political... China, through its wise and farsighted policy, has become one of the key guarantors of global security.”²⁵ This, above all, means freedom of maneuver vis-à-vis Russia.

The same can be said of Kyrgyzstan, which has done quite well in mobilizing its meager resources to play great powers against one another. Successive administrations have manipulated the issue of the Manas airbase to extract concessions and promises from Russia and the United States. U.S. Ambassador in Moscow Michael McFaul lamented that his country was, in effect, outbid by the Russians when in 2009 President Kurmanbek Bakiyev promised to pull the plug on the U.S. base. “You offered big bribes to Mr. Bakiyev to throw us out of Kyrgyzia. We also offered a bribe approximately ten times less than what you offered but this did not work,” he said, triggering angry protests by the Russian Foreign Ministry. But if Moscow can congratulate itself on fending off one competitor, China’s silent penetration is a lot more difficult to oppose, as demonstrated a few months ago when Russia’s relations went through a tense phase as Bishkek openly drummed up the prospect of China’s takeover of infrastructure projects if the Russians did not show greater generosity.²⁶

The key disagreements concerned Russia’s continued rental of the Kant airbase, and the method for settling Kyrgyzstan’s outstanding debts (half a billion dollars). In the end, Moscow agreed to pay for the base, and wrote off the debts in exchange for equity in the torpedo manufacturer Dastan, and in various hydropower projects. When Putin turned up in Kyrgyzstan to sign these agreements in September 2012, President Almazbek Atambayev showered praise on Russia as Bishkek’s “main strategic partner,” saying that he could not imagine a future for Kyrgyzstan without “Great Russia.” Yet, no sooner did Russia settle comfortably into the position of Kyrgyzstan’s best friend than Prime Minister Wen Jiabao came with promises of economic cooperation. One idea he peddled to a (seemingly) receptive Atambayev was the construction of a railway from Xinjiang to Uzbekistan (through Kyrgyzstan), which, Beijing hopes, will adopt China’s gauge (rather than Russia’s wide gauge currently in use in the republic). In the Russian foreign ministry this idea was once seen as a design by Russophobe minds from the European Commission aimed at speeding up disintegration of the post-Soviet space.²⁷ Now

that China is driving the project forward, such hostile views are conspicuously absent from official commentary but such silence does not mean a lack of concern. Non-official media, in the meantime, are up in arms about this new geopolitical challenge that makes the Turkmen pipeline appear benign by comparison.

China has wisely soft-pedaled its involvement in Central Asia, keeping Russia appeased in the SCO framework, while gradually building the infrastructure for challenging its regional influence. But the reality of the Sino-Russian “competition” is now taken for granted in the West, in China, and, to some extent, even in the Russian community of China-watchers. This could offer opportunities for Washington. This is not to say that the struggle for influence in Central Asia is necessarily a zero-sum game, although such perceptions are common in Russian policy circles. John Beyrle who, as U.S. Ambassador, helped to “reset” relations with Moscow, had urged the Obama Administration to take a more benign view of Russian activities in Central Asia and seek common ground in “countering common threats and maintaining regional stability,” for instance, by “adjusting” views about cooperating with the SCO, which would help alleviate suspicions. But even Beyrle has not been immune from the view that China “acts as a potential counterweight against Russian influence in the region.”²⁸ Similar ideas no doubt underpin Chinese diplomacy: Beijing has nothing to lose and much to gain from playing on Russian-U.S. antagonisms in Central Asia.

The Kremlin shows few signs of moving away from the “zero-sum” mentality vis-à-vis the United States. Many see it trying to undermine Moscow’s influence in Central Asia while distracting opinion with “hostile propaganda” about China’s supposed anti-Russian machinations in the region.²⁹ Continued U.S. involvement in Afghanistan takes a toll on the relationship with Moscow, partly for reasons of post-imperial nostalgia, and partly because there is concern that a pro-American Afghanistan could become a geopolitical liability, especially if Central Asian gas were rerouted toward the Indian Ocean. The Russians have also been highly suspicious of U.S. plans to maintain military bases in Afghanistan. To woo President Hamid Karzai from one-sided reliance on the United States, Afghanistan was given observer’s status at the SCO in June 2012.

As long as Beijing relies primarily on economic instruments to build up influence in Central Asia, Sino-Russian disagreements will be papered over by mutual assurances of good faith, at least in the short term. Russia’s best assurance of continued influence is that regional elites, for all their resentment of its meddling, remain deeply suspicious of China. They also share memories of having belonged to one socio-political space with Russia, which China cannot possibly match. Atambayev in his recent conversation with Putin said: “We were one country once upon a time! I don’t know if one should be happy or sad about this... Because I always remember that your father was a war veteran, and mine – a war veteran: they fought for one country, the Soviet Union... On the one hand, yes, 20 years, anniversary of diplomatic relations but it is also a little sad. I think our fathers – your father and my father – did not think about this.”³⁰ For as long as this shared identity remains in place, Russia’s position in Central Asia will remain relatively secure.

It is easy, however, to exaggerate the importance of Russia’s “soft power” in regional politics. One example of how difficult it has become to pull weight in what once appeared to be an indisputable sphere of influence is Russia’s inability to defend its interests in Mongolia,

where it worked hard to secure access to one of the world's largest undeveloped copper and gold deposits in South Gobi, the Oyu Tolgoi. Russia owns a 50 percent stake in the Mongolian railroad, a Soviet-era legacy that fed Moscow's expectations of seeing a piece of Oyu Tolgoi in return for building an extension connecting the site with the trans-Mongolian mainline. Yet, Russia's hopes were partly based on a misreading of the political situation. Putin had invested heavily in building a personal relationship with Nambaryn Enkhbayar, president in 2005-09, and his now fractured Mongolian People's Revolutionary Party. Enkhbayar, a fluent Russian speaker and a man of long-standing connections to Russia, came across as a man who would look after Moscow's interests, reassuring Putin as late as January 2009 that "we [the Mongols] cannot imagine these big mining projects without Russia's participation."³¹ In May of that year Putin stopped in Mongolia to offer support to Enkhbayar's re-election bid, but this untimely appearance may have hurt Enkhbayar; in any case, he was ousted, replaced by a much more Western-oriented Tsakhia Elbegdorj. In October 2009 the Oyu Tolgoi contract was awarded to the Canadian Ivanhoe Mines (now a subsidiary of the giant multinational Rio Tinto). Russian railroad services were not required: the mining site is only 80 kilometers from the border with China, where all the copper will go when the mine begins operations in 2013.

Similar problems have plagued hopes to obtain a stake in a massive Mongolian coal deposit, the Tavan Tolgoi, playing the railroad trump card. It failed when the Mongolian government announced (in July 2011) that it would not honor Enkhbayar's unclear promises of awarding the contract to Moscow (instead, it offered about a third of the contract to the Russians, while their competitors: the Chinese, and a consortium of Western companies, were also offered separate stakes). The head of the Russian Railways Vladimir Yakunin who had thought he already had the deal in his pocket, was sorely disappointed: "The Mongolian side continues to maneuver in terms of identifying the best ways to achieve their economic and political objectives, maneuvering between us, Americans, Chinese, Japanese and all the rest. Those options that are available so far do not cause us great enthusiasm."³² From Mongolia's perspective, it makes perfect sense not to treat Russia preferentially compared to China, or vice versa. However, this basic point is often missed in Russian public discourse, based as it is on flawed assumptions about supposed loyalty to Russia. It is for this reason that the Russian media still fantasize about Moscow's imminent takeover of key economic assets in Mongolia, and the likes of Yakunin never fail to be surprised by Ulaanbaatar's maneuvers.

In Mongolia, as in Central Asia, Russia's loss is not necessarily China's gain. Here, anti-Chinese sentiments are even more rampant than in the "Stans," forestalling Beijing's efforts to court its former colony through what is called the "Third Neighbor policy" – an effort to cultivate relations with the West while playing Russia and China against each other. Fortunately for Moscow, such thinking has not yet made inroads into Central Asia, but there are fears that it may. In the meantime, continued in-fighting, for instance, over water resources, and competing pretensions to regional greatness by Kazakhstan and Uzbekistan, and, to a lesser extent, Turkmenistan, allow Moscow to play the role of the ultimate arbiter, especially since no one wants China in that role. Beijing's reluctance to antagonize Russia means that as long as Sino-Russian relations maintain a positive dynamic, China will not openly challenge Moscow's regional prerogatives. When in the 1960s China challenged Soviet influence in countries like Mongolia, this challenge followed, rather than preceded, the deterioration of bilateral relations.

Much in the same way, the Sino-Russian competition in Central Asia will not derail bilateral relations, if they are not derailed for other reasons.

RUSSIA'S DEMOGRAPHIC FEARS

According to the 2010 All-Russian census, Russia's population in the Siberian Federal District and the Far Eastern Federal District stood at 19.3 and 6.3 million inhabitants respectively, down from and 20.1 and 6.7 million in 2002.³³ Russia's relatively favorable economic climate of the 2000s failed to arrest the continued decline, especially in the "demographic desert" of Siberia and the Far East. For decades, successive Russian and Soviet governments advanced programs to entice, encourage, or force people to the East. These efforts continue but with disappointing effects. Poor climatic conditions, underdeveloped infrastructure, and high living costs frustrate plans to reverse the demographic crisis. Plagued by chronic labor and capital shortage, criminalization, and endemic corruption, Siberia and the Far East languish in economic backwardness, just across the border from the world's most dynamic economic region. These realities translate into popular fear that Russia's under-populated territories will become a target for China's "expansion." Xenophobia, racism, and apprehension of China – vehemently denied by the Kremlin but widely shared in the border regions – impede Russia's only realistic path towards regional integration.

Deputy Prime Minister Dmitrii Rogozin recently "joked" about Chinese supposedly crossing the border with Russia in "small compact groups of five million."³⁴ Such remarks appeal to wide segments of the population, especially in the Far East, reinforcing a siege mentality and perceptions of the so-called "Chinese threat." According to a recent poll, 56 percent of Russian respondents have a sharply negative view of permanent settlement of Chinese migrants in Russia; 35 percent believe that most Chinese visitors end up staying in Russia illegally; and 24 percent think that Beijing has a secret plan to populate the Russian Far East with Chinese migrants.³⁵ Xenophobia feeds on sensationalist accounts in the tabloid press, full of alarmist predictions of a silent Chinese "takeover" of Siberia and the Far East in the guise of traders and peasants. The former are lambasted for putting Russian entrepreneurs out of business; the latter are said to undermine agricultural prices with pesticide-filled vegetables. Lamenting this, Aleksandr Abalakov, who chairs a Duma subcommittee for the development of Siberia, predicted that "if we [the Russians] remain passive, we will quickly end up in the position of American Indians on a reservation. We will be fed free of charge and shown to children as representatives of endemic small nationalities, incapable of development..."³⁶

Scholars such as A.G. Larin note that the extent of the Chinese immigration has been widely over-reported. More reliable estimates place the number of Chinese migrants in Russia at only 300,000-500,000 – more than the astonishingly misinformed figure of 35,000 cited by Russian Foreign Ministry officials, but only a fraction of the estimated 5-8 million foreign workers.³⁷ Russia is unattractive as an immigrant destination. As Gui Congyu of the Chinese Embassy in Moscow asked, "Who, among us Chinese, would want to live here?"³⁸ Russian visa restrictions bar long-term immigration from China. Migrants face discrimination, even violence (the Chinese Embassy advises students not to travel alone in public places), and arbitrary confiscation of property (as in the Cherkizovskii market closure in 2009 in Moscow).

The Putin-Medvedev duo repeatedly denied that China poses any sort of a “threat” to Russia, but employment of the xenophobe Rogozin as deputy prime minister highlights to what extent the Kremlin has bowed down to the populist sentiment. The imperative of boosting the population of Asian Russia has haunted many a policy maker. For instance, Sergei Dar’kin, until his recent ouster the governor of Russia’s Primorskii krai, advertised plans to turn Vladivostok, which presently numbers 750,000 inhabitants, into a city of 2-3 million inhabitants.³⁹ Ultra-nationalist Vladimir Zhirinovskii even called for moving Russia’s capital to Vladivostok to attract settlers and investors to the region. The Kremlin’s approach to the population crisis has moved in circles between wishful thinking about the unrealizable demographic explosion and Soviet-era administrative policies, while de-population continues and, in the words of the leading Russian demographer Anatolii Vishnevskii, “no one knows what to do about it.”⁴⁰ One possibility recently backed by former prime minister Evgenii Primakov entails opening borders with China or North Korea to encourage inward migration,⁴¹ but even floating the prospect publicly in the Far East would cause a popular uproar.

One effort to go beyond this framework has been to develop cooperation between Northeast China and the Russian Far Eastern and East Siberian provinces. A program, covering 2009-2018, entails establishment of joint development projects on both sides of the border, primarily – as far as Russia is concerned – in the sphere of extraction of natural resources. However, there are also plans to develop the transport infrastructure and to create processing industries (to balance the trade structure). Moreover, the program makes vague references to boosting cultural and educational exchanges.⁴² It was decried by Russian nationalists as a barely disguised attempt to “sell” Siberia and the Far East to China, but it is actually an important step forward in regional integration even if the three years that have passed since the announcement have shown little progress on most outstanding “joint projects.” Viktor Ishaev, the presidential plenipotentiary in the Russian Far East, reported in September 2011 that only 12 (of 57) projects from the Russian part of the program have reached the stage of implementation – and these are predictably confined to the extraction of natural resources. The other projects have seemingly died a bureaucratic death. Reflecting on this, Ishaev warned of the danger of Russia becoming China’s “resource appendage.”⁴³

There is fear in policy circles, stoked by the political imperative of appeasing popular xenophobia, about opening the border to more Chinese migrants. Past failures suggest that allowing more Chinese migrants to settle in Russia would meet vital labor needs; however, this would be deeply unpopular in Siberia and the Far East, and Putin, who treasures his nationalist credentials, cannot afford to do it. As nationalist politicians live the pipedream of multiplying the Russian population east of the Urals, immigration caps and administrative barriers impede migration across the border. In spite of increased cross-border tourism, Russia remains culturally aloof from East Asia. Assurances at the highest levels notwithstanding, China continues to be seen as an alien civilization by the European-minded Russians. In recent years, Moscow and Beijing have tried to deepen their “strategic partnership” through people-to-people exchanges, especially in education and tourism. In 2011, for instance, about 18,000 Chinese students studied in Russia (by comparison, nearly 160,000 studied in the U.S.). Only 8,000 Russian students chose China as their destination. American and British universities have rushed to set up exchange programs and campuses in China; Russia, though, has not been active. Instead, Putin, during his recent visit to Beijing, lent his authority to the harebrain scheme called the

SCO University – a quasi-alliance of sixty-five universities of the SCO member-states – which aims to promote closer integration in the educational sphere.⁴⁴ It is perhaps symptomatic of the broader structural problems in the Sino-Russian civilizational dialogue that the website of this university, ostensibly trilingual (Chinese, Russian and English) only carries updates in Russian. Chinese youth have very little interest in Russia, and the same disinterest applies to Russian youth looking at China.

CONCLUSION

A close reading of China-related studies produced by leading Russian think tanks reveals a view on Sino-Russian relations of remarkable internal consistency that is in marked contrast with the wide range of opinions that divide U.S. scholarship on China. There are many reasons for this. Centralization of Russia's China studies (all based in Moscow); the structural peculiarities of Russian academia, which mitigate against pluralism; and political imperatives, whereby scholars are expected to provide support to policy making – are all possible reasons. This relative homogeneity helps in summarizing the main points of this view: China and Russia have mutually complementary national interests, and no serious contradictions. Any obvious contradictions (for instance, competition over Central Asia) are dismissed as American propaganda, while deep, and probably, unresolvable structural problems of economic exchange are wished away as temporary phenomena. The bilateral relationship is characterized by equality, mutual respect, and non-interference in internal affairs; both want a “multipolar” and “democratic” world order, which, for Russian scholars and policy makers alike, has implicit or even explicit anti-Western (and, especially, anti-American connotations).

This “Russian view” also casts Moscow in the role of a leader of the new multipolar world. This may seem like a strange pretension, given Russia's economic weakness, but this leadership is not directly tied to any economic indicators. It is, instead, “moral leadership,” which is similar, conceptually, to the role Britain briefly attempted to play in the post-WWII order in “leading” America. Russia's relationship with China seems to be equivalent to Britain's “special relationship” with the United States, Russia also hoping to gain extra weight on the international stage while watching jealously lest this friendly embrace undermine its traditional sphere of influence within its post-colonial domain (in Central Asia). Moscow has offered Beijing a “vision” for the future, and by claiming authorship, it has also claimed leadership in the post-Cold War world. Leading policy experts regularly talk about Russia being a “bridge” between the developing and developed world or an “intermediary” between East and West.⁴⁵ These ideas are of course nothing new – they go back to at least the nineteenth century, and the unresolved debate between the Westernizers and the Slavophiles, but there is no longer any real debate: the visionaries of Russian global leadership have occupied all the commanding heights within this mostly self-serving discourse.

Many points raised by Russian China hands are actually quite reasonable and serve as reference points in the evaluation of the alarmist Sinophobia of media pundits and nationalist politicians. However, some of this optimism for Sino-Russian relations (often peddled by the same people who, within living memory, demonized China's “great power chauvinism”) is framed by ideological considerations that obscure serious problems in the relationship. Apart from various sources of tensions, noted above, the main problem with the vision is that it

has yet to find any adherents outside Russia. In key respects it is similar to what Mikhail Gorbachev attempted to accomplish in the late 1980s with his pan-Asian outreach, and, before that, to Nikita Khrushchev's efforts to reconcile China and India. These efforts fell flat for lack of interest on the part of key Asian audiences. Few regional players wanted to be led anywhere by the Soviet Union, or, for this matter, by Putin's Russia. Another problem with this vision, as with earlier visions, is that it basically excludes Japan. Russia will run into difficulties in selling its grand vision to Asia, while prospects for the "special relationship" with China do not look good in the absence of a broader civilizational dialogue between China and Russia.

Viktor Ishaev, speaking about Russia's preparations for the forthcoming APEC summit in Vladivostok, claimed that "in 10-20 years the Far East will become the center of economic life of Russia. The countries of the Asia Pacific are currently undergoing a major economic boost, and the Russian Far East, in view of its geographic position, is involved in the process of cooperation with the countries of this region."⁴⁶ There is nothing new in this. For the better part of thirty years Soviet, and then Russian, policy makers, cognizant of the economic potential of the Asia Pacific, have devised plans to tap into the region's remarkable growth.

The plans failed for several reasons. First, Moscow consistently overestimated the willingness of its Asian neighbors to invest in Siberia and the Far East, especially in the absence of a solid institutional and legal framework to accommodate foreign investments, and in view of militarization (in Soviet times) and criminalization (in more recent times). Second, efforts to encourage migration to the region failed to provide enough incentives to fill the labor shortage, while regional migration (especially from China) remains politically unacceptable. Finally, not enough is being done to promote closer integration with Asia (even China) in social and cultural terms. An effective strategy has been replaced by general statements about the need to have exchange with China – something that could have perhaps worked in the 1950s in the context of the Sino-Soviet friendship societies but not now when much deeper contacts are required. Visa barriers are slowly being removed, but mainly for government bureaucrats travelling on official business. More Russians than ever are learning Chinese and other Asian languages, but opportunities for doing so in secondary education are still extremely limited. Xi Jinping's praise during his March 2013 visit for Russian Sinologists as the best in the world does little to conceal the dilapidated, underfinanced state of China studies in Moscow, to say nothing of the provinces. Even as political relations prosper, the basis for deep, long-lasting Sino-Russian engagement is patently absent.

If this is to change, China must take a more proactive role in encouraging a change of attitudes in Russia. China should exercise leadership and vision, and commit much greater resources, to developing a cultural dialogue with its northern neighbor, for instance, by removing visa restrictions, encouraging permanent settlement of Russians in China (at the moment, administrative barriers that impede such settlement are astounding), offering many more scholarships to Russian students, and helping to create cross-border communities. China has become the "elder brother" of Asia, and it has to live up to this role. This includes greater care in economic dealings with Russia, avoiding the impression of "cheating" the Russians out of their fair share through unduly zealous price negotiations or geopolitical games in Central Asia, which leave Moscow in a state of growing insecurity.

The Sino-Soviet alliance failed because it was intrinsically unequal. China, under the leadership of Mao Zedong, was unwilling to remain in the role of “younger brother,” and Moscow, in turn, was unwilling to recognize China as an equal partner.⁴⁷ In their eyes, China was a junior partner: backward, technologically unsophisticated, a far cry from the superpower that the Soviet Union was. Today (despite the mutual assurances of equality), it is Russia that is the junior partner, increasingly backward and unsophisticated, especially when it comes to the vast expanse of Siberia and the Far East. Although China has been careful to defer to Russia on occasion (for instance, in the UN Security Council), Moscow is ambivalent about its powerful neighbor. The Sino-Russian relationship today is not an alliance, but, as a partnership, it has become increasingly unequal. Greater efforts are required to redress the imbalance lest this partnership suffers the fate of the defunct Sino-Soviet alliance.

ENDNOTES

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South Korea and Japan

Cheol Hee Park

The relationship between South Korea and Japan resembles a seesaw or a pendulum. Ups and downs are normal. The Lee Myong-bak administration is no exception, although many expected a different path from the previous administration. Lee showed an extraordinary degree of restraint in Japan-related issues until the summer of 2012. He may be the only Korean president who did not mention Japan critically in his speeches on the two major Japan-associated Korean holidays, Independence Movement Day and Liberation Day. Also during his tenure, South Korea and Japan discussed the possibility of concluding a GSOMIA (General Security of Military Information Agreement), exemplifying upgraded ties between the two countries by discussing security cooperation in a newly evolving regional context with third parties in mind. However, after Lee visited Dokdo on August 10, 2012, ties rapidly deteriorated. The two countries faced an unprecedented challenge in navigating through the popular uproar. Around October, the turbulent tide stabilized, but ties never returned to the “good old days.” The potential exists for another eruption of emotional conflict. With a new president, Park Geun-hye, elected to replace Lee as the standard bearer of the conservatives, just days after a general election brought Abe Shinzo to the post of prime minister after more than three years when the LDP had remained in the opposition, the bilateral relationship is being tested in 2013 under new leadership.

This chapter reviews the development of historical and territorial controversies in the late stage of the Lee administration. Then, it assesses the meaning of the election of the two leaders, reflecting on their general foreign policy lines during the campaign period. Next, it analyzes the challenges the two leaders are facing on both the domestic and regional front. Finally it considers the development of relations in 2013.

WIDENING CRACKS AFTER A FOUR-YEAR HONEYMOON

Around the time Lee took office, domestic political developments in South Korea and Japan helped both sides accommodate each other. Critical of his predecessor Roh, Lee took a policy turn that could be termed “ABR” (anything but Roh), including Japan policy.¹ Roh remained extremely critical of Japan after the Dokdo/Takeshima controversy that started in February 2005,² continuing for the next two years what he called a “diplomatic war” with Japan. Roh did not meet Japanese leaders except at multilateral settings.³ Lee strengthened ties with the United States, which served also to improve ties with Japan. Not only did he meet Prime Minister Fukuda as his first guest after the February 2008 inauguration ceremony, but he willingly had summit meetings with the next prime ministers Aso Taro of the LDP, and Hatoyama Yukio, Kan Naoto, and Noda Yoshihiko of the DPJ. Hatoyama took a forward-looking posture toward both South Korea and China by prioritizing the East Asian community idea. He and his wife Miyuki showed personal affection for Korean culture.⁴ Kan made a more serious attempt to improve relations. On the one hundredth anniversary of Japan’s annexation of Korea in August 2010, the “Kan Declaration” apologized for the unhappy historical experience with Korea while also acknowledging that colonial domination was against the will of the Korean people. Kan also returned more than 1,200 books that Japan had taken from Korea during the colonial period. The declaration, specifically designed for South Korea, was a step forward in relations. Though conflictual issues arose, favorable attitudes toward each other smoothed ties.

After Noda took office, relations grew tense. Because of the worsening territorial dispute with China, Noda strengthened the alliance with the United States and after the Great Tohoku earthquake he focused more on domestic economic issues such as a consumption tax increase. In South Korea, the comfort women issue unexpectedly emerged as a more serious diplomatic concern. Victims had been demonstrating in front of the Japanese Embassy in Seoul from 1994 and had pressed their case against Japan in Japanese courts without success.⁵ After repeated failures to draw public attention, they sued the Korean government in the Korean Constitutional Court, claiming that it had not done enough to resolve their issue. On August 30, 2011, the court ruled that the government is responsible for failing to fully address this issue diplomatically.⁶ Accordingly, the Ministry of Foreign Affairs and Trade (MOFAT) immediately organized a task force team and communicated its concern to Japan's Ministry of Foreign Affairs (MOFA). This issue emerged as a hot potato at the summit between Lee and Noda in Kyoto in December 18, 2011. Noda argued that the issue had already been resolved in the 1965 normalization treaty, and Japan had no more legal responsibility.⁷ The summit atmosphere was ugly, leaving a mark on bilateral relations.

After the Kyoto summit, diplomats on both sides were seeking a compromise solution. Other issues, such as the Korea-Japan FTA and GSOMIA, were on the table, waiting to be settled. MOFA proposed further efforts by Japan to put the dispute to rest. Around April 2012, Administrative Vice Foreign Minister Sasae Kenichiro suggested that Japan's prime minister apologize again formally, the Japanese ambassador in Korea engage in public diplomacy toward the "comfort women," and the Japanese government compensate the surviving victims from its budget.⁸ Japan appeared willing to handle the issue in a new fashion, although not to fully satisfy the Korean counterpart. However, MOFAT, minding the reactions from civic groups supporting the women, retorted that those actions are not enough. It argued that Japan should assume "state responsibility" instead.⁹ This almost brought the talks to a standstill, while leaving the two sides suspicious of each other's intentions. Japanese foreign policymakers thought that MOFAT had no willingness or capacity to control the situation and deliver a desirable result, while MOFAT officials thought that their Japanese counterparts were trying to settle this issue without an adequate response. Negotiations were stuck without showing any sign of progress in the ensuing months.

Around June 2012, the Korean government hurried to sign the GSOMIA with Japan when opposition parties were still raising concerns. Because of the new composition of the foreign relations committee in the National Assembly after the general elections on April 11, 2012, government officials had no time for detailed background briefings about this issue. When exaggerated concerns were raised about the GSOMIA with Japan, the government refused to sign only one hour before the designated time for signing the treaty in Tokyo on June 29, 2012. A secretary in charge of external strategy, Kim Tae-hyo, stepped down, taking full responsibility for this unexpected development.¹⁰ He was, perhaps, the only remaining high-ranking official in the Blue House who had a relatively good understanding of Japan. At the same time, a director general of the bureau of Northeast Asian affairs, Cho Tae-young, had to step down, taking responsibility for the ill-mannered handling of the issue. Relations were more perilous.

Ties deteriorated sharply after Lee visited Dokdo on August 10, 2012. The island has been controlled by Korea from 1952, but Japan has always claimed that it is its territory.¹¹ Japan strongly protested Lee's visit, which, actually, was an unexpected event for Koreans as well. This abrupt action was planned and executed at the suggestion of the public relations section in the Blue House without full consultations.

Lee's move was a delayed response to Japanese actions. Despite repeated opposition, Japan escalated tensions over the island by passing a review of textbooks where pictures of Dokdo were featured, and it reacted strongly when Korean Air had a test flight over the island with a newly imported plane.¹² On August 1, 2011 three LDP politicians were refused entry into Gimpo Airport when they attempted to visit Dokdo.¹³ Though Lee remained generally passive in raising controversial issues, in his final year as president he made up his mind to show his will to keep the island from any controversy. Ironically, his visit aroused a Japanese uproar. Also, dissatisfied about Japan's responses to the "comfort women" issue, Lee was determined to confront Japan with firmer political will. In this sense, his island visit was politically charged, rather than strategically coordinated. Furthermore, Lee wanted to extinguish turf battles within his own government. The Korean Ministry of Land and Oceans (MLO) planned a huge research facility on Dokdo, preparing a budget of more than 4.3 billion won for construction. MOFAT was strongly against this move, because it would anger Japan without any benefit. Still the MLO pushed it through. Lee's visit temporarily silenced MLO because, accompanied by the minister of environment, he claimed the island should be treated as a natural environmental park.¹⁴ Despite the controversy of the trip, Lee tried to resolve the turf battle within his cabinet by taking preemptive symbolic action.

Lee's Dokdo visit aggravated the already tense relationship with Japan. When Japan protested the visit, a Blue House spokesperson's comment (that Japan's international presence is on the decline) made the Japanese furious. Moreover, an August 14 comment by Lee on the Japanese emperor was delivered to the media in a twisted way. He intended to say that many controversial issues between the two countries could be peacefully resolved if the emperor visited Korea some day and showed repentance, but it was reported that he should apologize to the Korean people sincerely if he comes to Seoul.¹⁵ This was a blow to many Japanese, not only to policymakers. The emperor did not have any plans to visit Korea. He is not supposed to deliver a political message of any kind. It sounded as if Korea was trying to make use of a potential visit by him for political advantage. Many Japanese were furious, including a spectrum of intellectuals. The Korea-Japan Forum, a high-level dialogue, was cancelled at the request of the Japanese organizer only at the last moment.¹⁶ Japan's prime minister sent a personal letter to Lee that strongly resisted his action. When the letter was sent back to Japan, MOFA declined to accept it.¹⁷

In the midst of the territorial controversy between South Korea and Japan, another territorial controversy erupted. Earlier, in May 2012, the then Tokyo governor Ishihara Shintaro claimed that the Tokyo metropolitan government would be willing to purchase the Senkaku islands that were owned by a private Japanese citizen. Ishihara's move was taken as a provocative manipulation of the territorial issue by right wing groups against Noda and the DPJ. Concerned about this manipulation of the issue, the Noda cabinet decided to nationalize the island in spite of Hu Jintao's argument at the APEC meeting in Vladivostok in early September that this should be avoided. Proceeding on September 10, 2012, Noda aroused fierce resistance from

the Chinese side, which interpreted it as a tacit alliance between the Noda cabinet and Ishihara, though they formally denied that. In the eyes of the Chinese, this nationalization scheme was construed as a change in the status quo. After the nationalization, China bullied Japan with unprecedented infringements of its claimed territorial boundaries.

Territorial consciousness among the Japanese has been elevated. Those who did not know anything about Dokdo/Takeshima are now aware of the issue.¹⁸ Three territorial claims – Southern Kuriles/Northern Territories, Dokdo/Takeshima, and Senakaku/Diaoyu – are now treated as a single set of issues that Japan should confront with strong determination. These controversies helped Abe, who took a hard-line policy, to be elected president of the LDP. He had not been the frontrunner, but his strong stance against China appealed to the public and LDP members. Abe's election as LDP president, combined with Ishihara's alliance with Hashimoto Toru, the Osaka mayor, to form a new political party by the name of Nihon Ishin no Kai, drew more attention than any other political party could arouse. Facing this right-wing surge, Noda began arguing that those parties were going too far and the DPJ that he leads is a center right party, not a right wing political party. However, the overall shift toward strong territorial claims was his own doing. Until the last moment he was blind to the fact that the territorial controversies primarily helped the LDP and Ishihara.

One unintended consequence of the intensifying territorial conflict between Japan and China is that the dispute with South Korea has faded into the background. As long as Chinese assertiveness continues, the absence of anti-Japanese demonstrations and confrontations suggests relative constraint by South Korea. Japan faced a need to narrow its focus to a single front. Even though MOFA at first claimed that its dispute with South Korea should go before the International Court of Justice (ICJ), from around October, Japan seemed to favor postponement.¹⁹ As a dispute can only be argued before the court following the consent of both concerned parties, Japan understood that its appeal would only be symbolic. At a United Nations speech, Noda argued that the controversy should be resolved by international rules and suggested bringing the issue to the ICJ, but he did not concretely name the countries he had in mind.²⁰ Though South Korea did not publicly indicate that it was on the Chinese side, Japan had nothing to gain if South Korea and China stood together to confront it.

In the election campaigns in the two states, domestic political issues overshadowed territorial controversies. Yet Abe's policy promises revived Korean concerns. All the LDP promises on foreign and security issues directly touched upon Korean concerns. The LDP advocated constitutional revision, including Article 9, to change the status of the Self Defense Forces into National Defense Forces. It also promised that the gathering on Takeshima Day, which had been hosted by the local Shimane prefecture, would be organized by the central government. Furthermore, it was committed to revising what the right wing calls a self-torturing historical perspective, eliminating any reference to satisfying neighboring states and agreeing that prefectural educational committees should be appointed by the governors. Abe also claimed that the Kono declaration, which apologized for the forceful mobilization of the "comfort women," should be revised. In addition, Abe said he would visit the Yasukuni shrine without fail if he became prime minister again. All these intentionally provocative promises surprised Korean intellectuals and policymakers, who responded critically.²¹ It looked as if South Korea and Japan had entered a phase of silently managing controversial issues, but, in reality, new sources of conflicts were emerging in the latter half of 2012.

NEW LEADERS AND NEW POLICY LINES: POSSIBILITIES AND CHALLENGES

The LDP landslide victory, obtaining 294 seats independently and 325 seats in coalition with New Komeito, gave it firm control over the Lower House, as the DPJ only secured 57 seats, contrasting to the 230 seats it had before. The LDP victory came mainly from dissatisfaction with DPJ policies, especially the tax increase, but the LDP benefited too from an opposition divided across twelve political parties. The newly formed Nihon Ishin no Kai rose to the fore, getting 54 seats. Co-organized by Ishihara and Hashimoto, it emerged as the third political party. Emphasis on strong leadership and toughness against China and on territorial issues won voter support.

The composition of the Abe cabinet gives a hint to his policy direction.²² Abe included many political friends such as Aso, Amari, Nemoto and Suga, in major posts, especially in economics and finance, to concentrate on rehabilitation after two decades of recurrent recession and the shock of the 3/11 earthquake. In the area of foreign and security policy that directly deals with neighboring countries, Abe put relative soft-liners like Kishida, Tanigaki, Onodera, Hayashi, and Ota, who take a balanced position. Yet, the ministers in charge of politically sensitive issues such as abductees, territorial claims, education, and telecommunication issues, are hard liners Furuya, Shimomura, Shindo, Inada, and Yamamoto. When Abe seeks to improve relations with neighboring countries, he can turn to dovish cabinet members. Abe has right wingers in place to avoid any concessions on territorial and historical issues. For example, education minister Shimomura will revolt against any fuzzy compromise when it comes to textbooks and “comfort women.” Furuya, who is in charge of abductees and the national identity issue, is likely to stand against any tactical compromise on Yasukuni shrine visits. All the right wingers would go against softness on territorial issues. The cabinet members mutually check and balance each other. It is likely that Abe will take a realistic stance on many foreign policy issues, but his cabinet members will still remain outspoken and prevent concessions from going very far.

Though Abe is likely to focus mostly on economic revival, rehabilitation from the earthquake, and crisis management – as he mentioned in a press conference on January 4, 2013²³ – he will unavoidably be drawn into a number of foreign policy disputes. His grand strategy can be summarized as follows. At the core is the idea of strengthening independent defense capability, increasing the defense budget combined with the initiative to strengthen the U.S.-Japan alliance. In the face of the increasing challenge from China, Abe thinks that cooperation with the United States is unavoidable to secure his country. At the outer rim of his policy line is the goal of linking Japan to democratic countries in the Asia-Pacific, such as the United States, Japan, Australia, and India, in what has been called “value diplomacy.” Though Abe does not actively use the term “the arc of freedom and prosperity,” which was associated with his first cabinet in 2006, his first trip abroad was to a few Southeast Asian countries, including Thailand and Indonesia, which symbolize this ideal and may be considered possible partners in deterring the expansion of China’s influence in the region. Japan is willing to cooperate with China on issues of mutual benefit, but on other matters it may shy away from China. In this context, Abe is trying to improve the deteriorated ties with South Korea. What preoccupies him is an assertive China.²⁴ Despite campaign promises that alarmed South Koreans, Abe’s priorities may keep tensions under control.

This goes well with the general policy line of the American government. The United States and Japan are in basic agreement that Chinese aggressiveness should be checked with the cooperation of U.S. allies and friends in the region.²⁵ However, Abe's policy line can go further than the U.S. way of thinking in that it basically aims at containing China rather than constructively bringing China into rule-based international institutions. Highly nationalist rhetoric focused on territorial issues may bring out unexpected military contacts between Japan and China, which the United States does not desire. Also troublesome for the United States is Japan's relationship with South Korea. The two countries are expected to align together to cope with regional challenges, but they are still in dispute regarding territorial and historical issues. Abe's priority in facing China may not suffice to manage this divide.

Park Geun-hye was elected in what had appeared to be a tight competition with Moon Jae-in, benefitting from high voter turnout of 75 percent and especially from the fact that 89.9 percent of voters in their fifties went to the polls, of whom two thirds voted for Park. South Korea is rapidly aging. A higher voting rate does not necessarily work to the detriment of conservatives.²⁶ Park took a stance quite different from Lee Myong-bak by addressing popular policy issues, including social welfare, economic democratization, regionally balanced development, and national integration. In other words, she stole the weapons of the opposition and fought the electoral game on the opposition's court, enlarging the support basis from moderate voters. Park emphasizes "trust diplomacy," engaging North Korea as long as it keeps its promises and behaves like an ordinary country. Without trust, however, ties will not go forward.

This way of thinking can be applied to her approach to Japan too. Park is unlikely to hurry to resurrect broken ties, though she will take a forward-looking stance. The first envoy she accepted as president-elect was from Japan. Abe sent Nukaga as a special envoy to Park to deliver his message of congratulations and desire to improve ties.²⁷ Yet, this is not a sign that Park favors Japan over China. She sent her first envoy to China, who was received by Xi Jinping favorably.²⁸ "Trust diplomacy" suggests a few guidelines in handling foreign affairs, especially with neighboring countries. First, she is not going to hurry up mending ties unless accumulated exchanges suffice to demonstrate that the other party can be trusted. Second, if trust is betrayed by any words or deeds, she is going to wait until the dust settles down before proceeding again. Third, she is likely to take a bottom-up approach rather than top-down initiative. Trust can be built by repeated transactions rather than by a single meeting between leaders, although good summits may prove pivotal in enhancing ties.

After Park was elected, Abe intimated that he might come to the inauguration ceremony. Special envoy Nukaga also suggested this, but Korean public opinion had shifted toward viewing the dispatch of envoys to big powers or invitations to national leaders to the inauguration as a sorry reminder of the discredited practice of faithfully paying respect to powerful countries, *sadae*.²⁹ Park's pre-election mission to the United States was called a policy consultation team, not a special envoy. The preparatory committee on the inauguration ceremony did not officially invite any political leader to the ceremony on February 25. Abe showed his dissatisfaction by saying that he would not go to the inauguration ceremony unless he was invited.³⁰ It was around this time that he made a final decision to visit Washington D.C. on February 21-23.

It is unclear whether it is coincidental, but the Abe cabinet dispatched Shimajiri, deputy vice minister for the cabinet office in charge of territorial affairs, to the ceremony celebrating Takeshima Day on February 22, 2013. Considering that the LDP had promised to hold the Takeshima Day event as a national convention hosted by the central government, dispatching Shimajiri to the event was a sign of downgrading. It did not nominate an official representative to attend the event, though Diet member Koizumi, son of the former prime minister, volunteered to attend. This gave the territorial controversy a relatively low profile, but by dispatching a government official to the event Japan contradicted the previous news release that the cabinet would skip the Takeshima Day event in 2013. Korean media did not accept the dispatch of Shimajiri as a sign that Japan tried to minimize the political impact of Takeshima Day, reporting instead that Abe had picked high-ranking Shimajiri to represent the government. It overlapped with the news that, in mid-February, the Cabinet Office established an organization solely devoted to territorial issues, upgraded from a task force team in charge of the Takeshima controversy. With these developments, it, at least, appeared that the territorial controversies were being given greater priority rather than being toned down. A remark by Mizoguchi Zenbei, governor of Shimane prefecture, at a Takeshima Day event in Tokyo eloquently expressed the point by saying that the Japanese government fully accepted our request to establish a central government organization in charge of territorial affairs and also dispatched a government representative for the first time, raising the profile of Takeshima.³¹ To this claim, Park did not respond, but a MOFAT spokesperson made it clear that no territorial dispute exists between Korea and Japan and that Dokdo is fully and effectively controlled by Korea. The issue was overshadowed, however, by North Korea's third nuclear test on February 12, 2013 and ensuing security concerns. Also, the abortive nomination of a prime minister diverted public attention for some time.

Though many Japanese politicians, including former prime minister Mori and vice prime minister Aso, participated in the inauguration ceremony, their presence was not fully reported to the Korean media. At a meeting with Aso, Park is reported to have said, "In order to build a sincere friendly relationship between Korea and Japan, we have to understand the past history straightforwardly (without distortion), strive to cure the scars of the past, and understand the pains of the victimized in a heartfelt manner."³² Park is fully aware that the territorial controversy and "comfort women" issue are the main barriers to amelioration of bilateral ties, as she emphasizes the need for Japan to act and take responsibility. She noted that trust is the basis for reconciliation and cooperation and that history is a mirror for self-reflection and the key to a hopeful future. After a reminder that statuses as aggressor and victim would never change even after thousands of years, Park urged Japan to make a positive change.³³ However, her point was not to keep dredging up the history issue. She argued that history issues should never be passed to the next generation. Instead, the leaders of our generation need the courage to address and resolve these issues.

UNRESOLVED CONTRADICTIONS AND POLITICAL DILEMMAS

The bilateral relationship depends not only on the chemistry of the two political leaders but also on the compatibility of the national strategic identities of each administration.³⁴ Whether Abe's strategy can be compatible with Park's is the question.

Park uses the concept of “trust” when she refers to diplomacy with neighboring countries, including North Korea. She calls her strategy toward North Korea a “trust process on the Korean Peninsula.” As long as trust can be built, many things can be accomplished, she argues, but without trust she is unwilling to go forward with assistance or unilaterally to take the initiative. Her logic is based on the idea of strategic interaction. Second, this concept puts emphasis on the process, not the outcome. Trust cannot be born at a single stroke. Step-by-step policy implementation and reappraisal are important rather than some rhetoric of peace. Actions rather than words matters here. Third, trust should be built in a bottom-up fashion; accumulated experiences of cooperation breed trust between the two parties. In other words, a summit meeting can be a facilitator of trust building, but it is not a last resort.

This conception of trust can also be applied to Park’s diplomacy toward Japan. Both parties should agree upon the contents and process of trust building before they work with each other on a grand scheme of collaboration. This can be a piecemeal approach, but responsible actions and sincere commitments may be more important than incomprehensible rhetoric. The hurdle for enhancing ties between Korea and Japan is addressing the “comfort women” issue, which is imminent because of the life expectancy of the aged victims. This does not necessarily mean that Japan should take a unilateral initiative to resolve this case, but Japan is expected to show sincere and heartfelt handling of the issue. What is worrisome in this respect is Japan’s right wing attempt to revise the Kono statement, in which the Japanese government acknowledged military engagement in mobilizing these women as well as expressed its sincere apology to the victims. If the Abe cabinet defers from revisiting this issue, breeding trust between the two leaders is more likely. Yet, if it broaches this issue insensitive to South Korean opinion, especially considering that Park is a female president who is emotionally sympathetic to the victims, the result could be another downward spiral in relations, making trust building inconceivable.

If one takes a close look at Abe’s national strategy, it remains to be seen whether he is seriously interested in improving ties with South Korea. His diplomatic priority is strengthening alliance ties with the United States. Considering China’s increasingly assertive maritime actions, Abe’s intention to hold the alliance relationship tight is quite understandable. However, there is a missing link in this conception. South Korea is another pivotal alliance partner, together with Japan, in America’s global and regional strategy. The United States does not want to see frictions between its two core allies. Furthermore, if relations between the two are troubled, the U.S. strategic scheme in East Asia cannot be smoothly implemented. Whether Abe can embrace South Korea as an integral part of American strategy in the region is a challenge that, for the moment, he does not appear to take into account. For him, the United States and South Korea are alternatives rather than a combination. Abe trumpets the theme of a group of countries with similar systems and values cooperating regionally and in global society, citing values such as democratic politics, a market economy, the rule of law, and respect for human rights. If these are the primary criteria for cooperation, South Korea should definitely be embraced as an essential part of this collective, especially in the Asia-Pacific. Nobody questions the quality of South Korea as a country that fits these criteria. However, Abe does not explicitly advocate that South Korea be an integral part of his regional strategy.³⁵ Between South Korea and Japan, confrontational issues such as a territorial dispute, the “comfort women” issue, Yasukuni shrine visits, and textbook reviews,

are associated with a values gap. All are critical elements of another pillar of his political agenda, national identity politics.

Abe wants Japan to have an independent national identity based on a sense of pride and esteem.³⁶ In his eyes and those of his right wing associates, South Korea is a troubling partner that tries to push Japan into a corner to extract further apologies and financial compensation. Abe insistently argues that Japan should be a country that can say “no” to its neighboring countries when the latter ask it to apologize more. He also thinks that Japanese pride should never be undercut, even when the issues at stake are wartime wrongdoings. For him, Japan is a beautiful country to be fully appreciated by the Japanese people.³⁷ As a result, in Abe’s foreign policy scheme, the Korean question may be an incomprehensible dilemma and not-easily-solvable contradiction. This is one reason why Abe is hesitant toward South Korea.

In Abe’s diplomatic scheme, how to locate South Korea in a strategic competition between Japan and China remains utterly ambiguous. For Abe, China is a country that increasingly poses a security and diplomatic challenge to Japan. On the one hand, when Japan wants to take a realistic stance to cope with the security challenges posed by China, South Korean cooperation is desperately needed. Even when Japan wants to develop collaborative ties with China, South Korea can facilitate cooperation and serve as a bridge that can address thorny questions in a milder way. On the other hand, Abe prefers an autonomous strategy in dealing with China without embracing South Korea at this stage. This might be because he regards South Korea as increasingly playing the game in the Chinese court.³⁸ However, the fact of the matter is that, except on issues related to historical and territorial controversies, South Korea’s stance mostly overlaps with Japan’s approach. The main reason for distrusting South Korea for Abe, even more than for other Japanese leaders in recent years, seems to be the obsession with Japan’s national identity in opposition to the perceived Korean national identity.

A number of Japanese articles recall the historical legacy of Abe’s grandfather, Kishi Nobusuke, and Park’s father, Park Chung-hee, in normalizing the relationship between South Korea and Japan in 1965 on the basis of good personal relations. Ironically, Park may be at a disadvantage in that she is a second-generation politician whose father is widely remembered as the authoritarian, pro-Japanese president of South Korea. In fact, during her presidential campaign, she had to apologize to the opposition-associated civil groups for the cruel repression during her father’s days. Extreme leftists in South Korea in the Liberal Progressive Party refer to Park Chung-hee’s old Japanese name to criticize her family legacy. Though that kind of emotionally charged criticism did not win wide support from the electorate, what should be remembered is the fact that anti-Japanese feeling still runs deep. Accordingly, regardless of her personal convictions or diplomatic strategy, Park’s background may work as a liability rather than an asset. She may remain quite cautious in handling the Japan question, given negative responses from the public.

CONCLUSION

As North Korean belligerence intensified in the first months of the Abe-Park tandem in office, U.S. interest in solidifying the alliance triangle was unmistakable.³⁹ To the extent possible, U.S. diplomacy will pressure Abe to use maximum restraint in touching the most sensitive nerves in South Korean identity, while urging Park to show maximum tolerance in reacting to any affront

perceived by the Korean people. In a personal relationship fraught with historical meaning, these two heirs to legacies dating back half a century face the pivotal period when the balance between national identities and national interests will be decided in facing North Korean assertiveness and China's new claims to regional leadership. Abe's preoccupation with identity goals and Park's initial pursuit of "trust" suggest an uneasy fit between two distinct agendas. In the face of a more dangerous security environment, Abe seems to be backtracking on some of his identity agenda, and Park is recognizing that alliance trust is first among her priorities. These cautious responses offer some hope for bilateral relations, but prospects remain high for more bilateral "shocks" with no breakthrough in sight toward putting South Korean-Japanese relations on a steady path forward.

ENDNOTES

1. On the foreign policy direction toward Japan under Lee Myong-bak, see Park Cheol Hee, "*Sae jongbu e baraneun daeil oegyo jongchaek banghyang*, *Oegyo*, Vol. 85 (April 2008), pp. 29-38.
2. In "A Letter to the People," Roh Moo-hyun took a hard-line stance, declaring a diplomatic war with Japan. *Yonhap News*, March 24, 2005.
3. Roh had a summit with Koizumi on November 18, 2005 during the APEC meeting in Pusan, Korea, but he did not meet Koizumi after that. Roh welcomed new Prime Minister Abe on October 9, 2006, but after this, they met only at multilateral settings.
4. Hatoyama's wife Miyuki made kimchi together with Korean first lady Kim Oksook on October 9, 2009, when Hatoyama visited Seoul in his first foreign travel after assuming his position. Miyuki's comment, "please give me rice together with kimchi" became wildly popular in Korea. *Donga ilbo*, October 10, 2009. A spokesman of the Korean Foreign Ministry, Kin Young Sun, delivered a welcome message to the Kan Declaration on August 10, 2010. *Donga Ilbo*, August 11, 2010.
5. The Tokyo High Court of Justice found on August 30, 1999, that the Japanese Diet has no responsibility to legislate on compensating comfort women. *Yonhap News*, August 30, 1999. On March 25, 2003, the Japanese Highest Court of Justice decided that a legal suit by a Korean "comfort woman" would not proceed further.
6. The Korean Constitutional Court found on August 30, 2011, that the Korean government, especially the Ministry of Foreign Affairs and Trade, did not fulfill its duty to resolve the rights of compensation claimed by comfort women according to Article 3 of the Korea-Japan normalization treaty in 1965. Non-action was the reason why the government side lost the suit. *Donga ilbo*, August 31, 2011.
7. Noda said at a summit in Kyoto that the "comfort women" issue had been fully and completely resolved by the normalization treaty in 1965. *Yonhap News*, December 18, 2011.
8. Author's interviews with high-ranking Japanese foreign ministry officials in Seoul on January 13, 2012; in Seoul on March 23, 2012; and in Tokyo on April 25, 2012.
9. Author's interview with Japanese foreign ministry official on April 23, 2012.
10. *Yonhap News*, July 6, 2012.
11. Dae-song Hyun, "The Dokdo-Takeshima Issue: Its Origin and the Current Situation," in Dae-song Hyun, ed. *The Historical Perceptions of Korea and Japan* (Seoul: Nanam, 2008), pp. 37-92.
12. The Japanese Foreign Ministry ordered its officials not to use Korean Airlines for a month starting from July 18, 2011, after the Korean Airlines test flight of the A-380 over Dokdo on June 16, 2011. *Seoul Daily*, July 15, 2011.
13. *Yonhap News*, August 1, 2011.
14. An official at the president's office said that they would temporarily stop and review the project thoroughly, adding that the research facility could harm the natural environment of Dokdo, designated as one of the natural treasures of Korea. *Kookmin ilbo*, August 14, 2012.
15. For an intensive interview with Japan specialists as to the effects of the president's remark about the Japanese emperor, see *Hankyoreh News*, August 22, 2012.

16. The 20th Korea-Japan Forum scheduled in Fukuoka from August 29 was cancelled on August 18. *Yonhap News*, August 18, 2012.
17. *Donga ilbo*, August 23, 2012.
18. According to a survey by Mikyoung Kim at Hiroshima Peace Institute, 67 percent of the Japanese respondents said that Takeshima belongs to Japan. *Yonhap News*, January 3, 2013.
19. One report had Abe reconsidering bringing the Dokdo/Takeshima issue to the ICJ, noting it had been under discussion from the previous year. *Asahi shimbun*, January 9, 2013.
20. At the UN General Assembly, Noda mentioned the importance of the rule of law for peacefully resolving international disputes. *Donga ilbo*, September 25, 2012.
21. Cheol Hee Park, “*Il Jamindang ukyonghwa neun jachungsoo*,” *Munhwa ilbo*, November 23, 2012; Chang Soo Jin, “*Ilbon susuroreul hachineun Abe kongyak*,” *Chosun ilbo*, November 25, 2012; Wondeok Lee, “*Ilseodo yokpung matkedoel Abe eui Jamindang*,” *Donga ilbo*, November 27, 2012.
22. Cheol Hee Park, “*Abe naegak eui chulbom kwa Dongbuka jongse*,” *Oegyo*, Vol. 104 (January 2013), pp. 57-64.
23. *Yomiuri shimbun*, January 4, 2013.
24. Cheol Hee Park, “*Putting Old Liquor in a New Bottle: Abe’s Security Strategy toward Asia*,” a paper delivered at Korea National Defense University, April 11, 2013.
25. Daniel Twining, “*America’s Grand Design in Asia*,” *The Washington Quarterly* Vol. 30, No. 3 (Summer 2007), pp. 79-94.
26. 82 percent of voters in their 50s supported Park. *Joongang ilbo*, February 15, 2013.
27. *Hankook ilbo*, January 5, 2013.
28. *Yonhap News*, January 21, 2013.
29. Joon Woo Park, “*Sagang oegyoreul pogihal ttaega doitta*,” *Donga ilbo*, January 3, 2013.
30. *Nihon keizai shimbun*, January 22, 2013.
31. *Chosun ilbo*, February 23, 2013.
32. *Aju Economy*, February 25, 2013.
33. *Donga ilbo*, March 1, 2013.
34. Cheol Hee Park, “*Abe oegyo samdae mosun sae haepopeul*,” *Seoul Daily*, February 15, 2013.
35. In a speech at CSIS during his visit to Washington, Abe mentioned South Korea together with Australia for the first time. www.kantei.go.jp.
36. Abe Shinzo, *Atarashii kuni e* (Tokyo: Bungei shunju, 2013).
37. Abe Shinzo, *Utsukushii Kuni e* (Tokyo: Bungei shunju, 2006).
38. Xi’s China is applying a charm offensive, thinking that South Korea is a swing state between the United States and China. Sunny Lee, “*Will China’s Soft-power Strategy on South Korea Succeed?*” *PacNet*, No. 23, April 8, 2013.
39. Michael Green, “*Hanmiga Bukhaek wihyuphe hwaksilhi daechoharyomyon*,” *Joongang ilbo*, April 20, 2013.

South Korea and the U.S.

Scott Snyder

The U.S.-South Korea alliance has flourished under Presidents Obama and Lee Myung-bak. It is difficult to find words of criticism for the alliance in either Washington or Seoul as Obama starts his second term and Park Geun-hye begins her administration. Both presidents reaffirmed their respective commitments to policy coordination toward North Korea and issued a joint statement on the sixtieth anniversary of the establishment of the alliance during Park's first meeting with Obama at the White House. The statement underscored a commitment to broaden alliance functions beyond the peninsula, reaffirming commitments to a comprehensive alliance first announced by Obama and Lee in May 2009.¹ Park and Obama also recognized the first anniversary of the Korea-U.S. Free Trade Agreement (KORUS FTA), which institutionalized another pillar of cooperation. These two agreements represent an expansion beyond extraordinarily close policy and security coordination toward North Korea, which has traditionally provided the main rationale for security cooperation. Basking in the glow of relations that may never have looked better, officials on both sides might be tempted to feel complacent, but concerns have been growing that difficult tests lie just over the horizon.

Although North Korea's provocative behavior and nuclear and ballistic missile tests have intensified with the leadership transition from Kim Jong-il to Kim Jong-un and changes in the regional security environment are providing new challenges, the U.S.-ROK alliance has proven to be an unexpected source of stability for U.S. policymakers. In comparison with rising concern over Chinese assertiveness and the impact of Japan's domestic politics on its foreign relations, U.S.-ROK coordination in response to North Korean provocations has mainly been a good news story for Obama, but it remains to be seen how and whether South Korea will capitalize on its increased capacity to contribute to global security and standing in Washington to carve out a stronger regional role or whether renewed North Korean challenges might inhibit an expanded regional role for the alliance.² In the background is the challenge of maneuvering between the regional strategies of China and the United States, each of which has its own North Korea policy.

Park came into office with a mindset that is largely consistent with that of her predecessor on alliance issues. She inherited a stable relationship with promise for further development, but there are also some notable challenges that, if managed poorly, could test recent advances in the U.S.-ROK relationship. Following a review of new developments in the relationship at the peninsular, global, and regional levels, this chapter examines three challenges that will test the durability and direction of the security relationship: 1) the renegotiation of a nuclear cooperation agreement; 2) the U.S. rebalancing policy, North Korea's provocations, and their effect on U.S.-ROK relations; and 3) U.S. policy toward Korean reunification and its ramifications. Each of these issues involves areas of potential conflict between what ROK partners desire in U.S. policy and what U.S. policymakers consider to be their various functional/geographical objectives.

DEVELOPMENTS IN THE U.S.-ROK ALLIANCE UNDER THE LEE AND OBAMA ADMINISTRATIONS

The Lee and Obama administrations cemented close relations based on an unprecedented convergence of national interests and expansion of South Korean capabilities and willingness to work with the United States on economic and off-peninsula non-traditional security issues.

While these forms of cooperation were initiated under Roh Moo-hyun and George W. Bush despite their clear gap in world views, a shared vision for cooperation came to maturation under Obama and Lee. As a result of South Korea's economic growth and democratization, it emerged as a willing and able partner of the United States on many issues that extended beyond the main task of the alliance to secure South Korea from potential North Korean aggression. The June 2009 Joint Vision statement set the stage for a relationship bound by "trust," "values," and "peace."³ It set the tone for an ambitious agenda of expanded cooperation beyond North Korea on many issues, including global and regional security cooperation and the deepening of trade and investment relations through the KORUS FTA.

NORTH KOREA: CONSENSUS IN FAVOR OF DENUCLEARIZATION, BUT WITH LITTLE MEANS TO PURSUE IT

The Lee and Obama administrations both prioritized North Korea's denuclearization as the main challenge on the peninsula and moved in lockstep in response to early provocations, including an April 2009 failed multi-stage rocket launch, a May 2009 nuclear test, and difficult issues involving individual Americans and South Koreans who had been detained in North Korea. The insistence of both on the necessity of North Korea accepting denuclearization as a main agenda item proved to be a major obstacle to the resumption of Six-Party Talks despite sporadic efforts of each to pursue dialogue with the North.⁴ North Korea's sinking of the Cheonan in March 2010 resulted in scores of military casualties and the Yeonpyeong Island shelling the following November took South Korean civilian lives for the first time since the end of the Korean War.

North Korea's multi-stage rocket test in April 2009 led Obama to declare that violations of international law must be punished, as he pushed for a tough UN Security Council resolution that authorized states to interdict suspected shipments related to nuclear and missile programs.⁵ Rather than rushing to dialogue with North Korea, Obama emphasized a regionally-coordinated response that sought to win China's cooperation, but China's decision in the summer of 2009 to strengthen relations with North Korea ran in the face of this sanctions-focused policy. North Korea's provocations and the need to closely coordinate a joint response fueled dozens of high-level meetings involving diplomats from Washington and Seoul, as well as an expanded set of joint military exercises designed to reinforce a message of deterrence against aggression. Plans for U.S.-ROK military exercises drew critical responses in the summer of 2010 not only from North Korea but also from China, while Japan also became involved in exercises with South Korea and the United States, first as an observer and in June 2012 as a direct participant.⁶

While the need to mount an effective coordinated response to North Korea's 2010 provocations provided a basis for deepened U.S.-ROK political coordination, it also produced some subtle tensions that required careful management. The South Korean public criticized the Lee administration for not responding more strongly to the artillery shelling, and a civilian report advocated a policy of "proactive deterrence," including the right by South Korea to undertake preemptive strikes in self-defense in the event of an imminent North Korean threat.⁷ U.S. officials expressed private concerns that a stronger response to a new North Korean provocation could inadvertently lead to military escalation. The U.S. Forces Korea initiated an intensive dialogue with military counterparts to forge a joint

counter-provocation plan that outlined in greater detail immediate and proportional steps that the South Korean military might undertake in response to a North Korean attack while strengthening military and political coordination to manage any escalation. The counter-provocation plan was initiated at security consultative meetings held in Washington in October 2012 and was formally adopted in March 2013.

Careful coordination was also required in diplomatic approaches to North Korea. While the two governments maintained a unified front in response to provocations, coordination challenges arose regarding how far to go in pursuing diplomatic negotiations with North Korea. South Korean diplomatic efforts to pursue inter-Korean contacts foundered in the spring of 2011, with the North Korean side eventually leaking the existence of secret contacts and blaming the Lee administration for their failure.⁸ Despite this, the United States returned to several rounds of diplomatic dialogue from the summer of 2011 that resulted in the parallel release of U.S. and North Korean diplomatic statements on February 29, 2012.⁹ This was originally expected to take place in Beijing during the third week of December, but it was postponed by Kim Jong-il's death on December 17, 2011. The parallel statements envisioned IAEA monitoring of the North's uranium enrichment program in exchange for 240,000 tons of food assistance, but that agreement went nowhere following North Korea's March 16 announcement that it would launch another multi-stage rocket in defiance of Security Council resolutions.¹⁰ Following this, Washington pursued two secret rounds of direct dialogue with Pyongyang in April and August, the contents of which were briefed only between Lee and Obama to the exclusion of senior diplomats.¹¹

U.S.-ROK ALLIANCE: EXPANDED SCOPE FOR NON-TRADITIONAL SECURITY COOPERATION

The Joint Vision Statement provided the basis for extending cooperation beyond the Korean Peninsula to meet regional and global challenges. It envisions a wider role for the alliance in contributing to international security in a range of areas, including post-conflict stabilization, development, non-proliferation, and counter-terrorism. These new forms of cooperation are made possible by an increase in South Korean capabilities and its willingness to step forward and make such capabilities available as a public good for the international community. The statement anticipates contributions to international security commensurate with the benefits South Korea derives from a stable global system, but it is also so ambitious that it raises questions about prioritization and capabilities if the alliance were to be stretched too thin.¹²

South Korea has determined that it will contribute to international security as a national defense priority based on an assessment of its own interests and global responsibilities in addition to its efforts to ensure security on the Korean Peninsula. Its 2010 Defense White Paper identifies "contributing to regional stability and world peace" as one of three national defense objectives, along with "defending the nation from external military threats and invasion" and "upholding the principle of peaceful unification." To support these activities, it has established a three-thousand-person standing unit dedicated to overseas deployments, passed legislation authorizing the deployment of up to one thousand ROK personnel to UN peacekeeping operations (PKO) prior to requiring an authorization request from the National Assembly, and established a PKO center dedicated to the training of military personnel to be dispatched for

assignments.¹³ This significant development shows South Korea's willingness to contribute to international security for the long haul.

The U.S.-ROK alliance benefits from cooperation and interoperability that are being honed through practical experience of the sort that cannot be replicated by scenario-based exercises alone. As both countries face the need to more prudently allocate defense budgets, the experience of working together may also produce opportunities to cooperate in ways that do not unduly limit loss of specific capabilities. Moreover, as the United States moves to emphasize greater interaction and lateral networking of capabilities among its Asian bilateral alliances, South Korea's experience working in a multinational environment will prove valuable, enhancing the role of the alliance as a force for resiliency and stability into the international system. In turn, this will provide residual benefits for the development of South Korean capabilities, particularly if prolonged instability in North Korea would require some of the same skills. South Korea's exposure to fragile or failed-state situations and direct involvement in post-conflict stabilization operations may be applied to the management of future instability in North Korea.

South Korea's willingness to contribute to global security is in line with its commitment to triple its development assistance contributions from 2010 levels by 2015.¹⁴ This commitment comes during a period of fiscal austerity in the developed world that is squeezing the development budgets of many countries. South Korea can offer advanced technical and human resource skills on development and governance related issues based on its experience as a recipient of international aid, and is well positioned to cooperate with the United States on joint projects that can enhance development effectiveness. International development provides yet another avenue of cooperation between the two states on the basis of shared values to provide global public goods.¹⁵ However, a notable omission from U.S.-ROK security cooperation thus far is within the Asia-Pacific region. South Korea participates in the U.S.-administered Rim of the Pacific Exercises, but given shared interest in Asian stability, the dearth of collaboration in ways that reinforce Asian regional stability and prosperity is striking. This raises questions about the impact of both South Korea's efforts not to be drawn into the Sino-U.S. regional competition and its hesitation to embrace trilateralism with Japan, the U.S. ally most active in region-wide measures of cooperation.

KORUS FTA PASSAGE: CATALYST FOR THE UNITED STATES TO JUMP START ITS ASIAN TRADE POLICY

The third leg of U.S.-ROK collaboration came after an extended delay in the ratification of the KORUS FTA following its 2007 negotiation under the Bush and Roh administrations. Initially, the hesitation lay with Roh, who seemed reluctant to pursue ratification of his own agreement with the National Assembly in the closing days of his term. Then, prospects for the U.S. Congress to consider the agreement diminished, because the main priority became restoration of the U.S. economy and a newly-elected Obama had an extensive agenda of items to address with Congress that were prioritized more highly.¹⁶ To his credit, President Lee was patient, persistent, and flexible, lobbying Obama when he visited Seoul in November 2009, who at that time was working with Congress to pass health care reform and was not ready for KORUS FTA.

After the Obama administration concluded that it wanted to revise parts of the agreement and sought further negotiations to settle outstanding issues that were likely to be a source of congressional objection, talks followed Obama's participation in the Seoul G-20 in November 2010 and finally resulted in a revised agreement that was sent to Congress. Although KORUS was delayed again by negotiations with Congress on the need to raise the U.S. debt ceiling in the summer of 2011, Lee's state visit in October 2011 served as an action-forcing event that finally led to ratification, along with FTAs with Colombia and Panama.¹⁷ This occurred so late in the 18th National Assembly that ratification became a heated political issue only six months prior to new elections,¹⁸ but the Grand National Party, with its majority, finally pursued unilateral ratification in October 2011 and the agreement went into effect the following March.

The passage of KORUS FTA is significant because it greatly expands openness and reciprocity for Korea and the United States in each other's markets and strengthens economic interdependence.¹⁹ Ratification of KORUS has breathed new life into the TPP negotiations, which are now drawing interest from Canada, Mexico, and Japan. The KORUS FTA has revived U.S. trade policy, opening the door to a vision for a high-standard agreement in Asia-Pacific that might even lead the way toward renewed global trade liberalization.²⁰

MAJOR CHALLENGES FACING THE U.S.-ROK ALLIANCE

The development of the three pillars described above has broadened the scope and resiliency of cooperation to the point where Obama referred to the U.S.-ROK alliance as a "lynchpin" of U.S. policy for the Pacific.²¹ It is significant that Park endorsed the Joint Vision established by Lee and Obama by reaffirming almost all of the main themes and directions for the alliance in the sixtieth anniversary alliance joint statement issued following her first White House meetings with Obama. Even more importantly, Park and Obama showed no light between them in their respective approaches to North Korea, affirmed their commitments to continuing international security cooperation off the peninsula, and celebrated the first anniversary of the ratification of the KORUS FTA. Circumstances, however, are becoming less favorable to agreement than they were in the halcyon days of 2009-12.

The alliance will face tests on a number of issues where U.S. policies toward South Korea are bumping up against other U.S. global and regional policies in ways that may limit the potential for cooperation. In each policy area, future cooperation will depend at least in part on whether the United States chooses to treat South Korea as an exception to some other facet of its Asian and global policies or whether U.S.-South Korea policies continue to be pursued within the traditional bounds and constraints of U.S. policies in these other areas. Willingness to make exceptions for South Korea in light of its rise as a "middle power" as it pursues its own regional and global policies will signal the level of priority that the United States places on it, and these decisions will have a direct impact on the closeness of the relationship. By the same token, the level of South Korean willingness to live within the constraints placed on its own pursuit of policy choices as a result of its alliance might also be interpreted as an indication of the priority that South Korea places on continued alliance cooperation with the United States.

THE U.S.-ROK BILATERAL NUCLEAR COOPERATION AGREEMENT

The United States and South Korea are in the middle of negotiations to renew their bilateral nuclear cooperation agreement. These negotiations were extended by two years in advance of Park's visit to Washington to buy time in the face of a seemingly intractable disagreement over whether Washington will allow South Korea the right to enrich and reprocess nuclear fuel. The previous agreement, negotiated in 1974, was set to expire in 2014, but now the Obama administration will request from Congress a two-year extension so that negotiations can be completed. During the period of the agreement, South Korea has made tremendous strides in developing this sector, having gradually mastered almost all of the critical construction technologies and processes required to build a nuclear reactor. Since Westinghouse supplied South Korea's first nuclear power unit Kori 1, which began operations in 1978, South Korea has built seven units in cooperation with non-Korean firms, and four since 1999 almost entirely by Korean companies. With its 2009 agreement to build a Korean-version of the AP-1400 reactor in the UAE, South Korea entered the international nuclear energy supply market.²²

These impressive advancements have enabled South Korea to meet more energy demands indigenously and to reduce its energy dependence. As a new nuclear exporter, it is poised to combine its longstanding international construction experience with experience in developing its own domestic nuclear energy industry to become a major exporter of nuclear power generation capacity, perhaps even to the United States. However, South Korea's development of its own nuclear capacity faces the universally shared constraint of how to dispose of radioactive waste materials. The current space for storage of such materials will all be used by 2016, so there is an urgent need to address this issue.

South Korean scientists have promoted a form of reprocessing known as pyroprocessing that uses electroreduction as the primary means by which to refine and separate the plutonium from the most toxic and radioactive waste products from nuclear energy.²³ They are pushing for South Korea to pursue pyroprocessing as the primary means by which to address the waste problem while preserving the 'clean' plutonium for possible re-use in fast breeder nuclear reactors that might be constructed in the future. However, critics warn that this would produce even more waste while also constituting a significant proliferation risk since additional treatment of the plutonium by-product might result in weapons-grade plutonium.

In negotiations with the United States over the new bilateral nuclear cooperation agreement, South Korea has requested advanced consent to alter U.S. provided nuclear material in form or content through pyroprocessing and/or enrichment. Both of these processes are relevant to the competitiveness of South Korea's nuclear energy export efforts since other exporters have retained rights to pursue reprocessing and enrichment of nuclear fuel, but the United States on non-proliferation grounds has resisted South Korean requests. Without these rights, there is a limit on South Korea's ability to address its own waste problems, develop new types of nuclear technology including fast breeder reactors, and supply nuclear fuel to potential customers as part of supply contracts.²⁴ South Korea argues that other allies, such as Japan, and strategic partners, such as India, have already been granted such rights, so a failure to grant it advanced consent is a form of discrimination that directly limits efforts to develop its own industry. But to grant such rights is to add one more country, no matter how responsible, to the list of potential sources of fuel that could be used to build a nuclear weapon.

The United States and South Korea began negotiations on this issue in 2010, but have reached an impasse. Even a two-year extension of the agreement leaves a relatively short period before the agreement will need to be ratified and submitted for congressional consideration, as is the case for all U.S. bilateral nuclear cooperation agreements. An additional potential hurdle may be that Congress has tried to strengthen standards for bilateral nuclear cooperation agreements so as to further restrict reprocessing or enrichment privileges.²⁵ This faces serious challenges as the United States itself is playing a smaller role in nuclear power generation, with challengers such as China and India developing plants outside the influence of U.S. standards. These countries are likely to emerge as less proliferation-conscious sources of supply for nuclear energy producing reactors that will directly compete with South Korean products. Thus, South Korea's commercial interests and lack of long-term high-level waste storage have emerged as major issues in the negotiations. Both sides have too much to lose to allow the agreement governing their cooperation to lapse. Nonetheless, there is currently not an easy way to solve this issue, which, if politicized, could become a source of major conflict between Washington and Seoul. During her visit to Washington, Park reiterated her position during the White House press conference and an address to a Joint Session of Congress that South Korea seeks a "modernized, mutually beneficial successor to our existing civil nuclear agreement."²⁶ The two sides recognize that a new agreement should seek to address challenges in three areas: the need to ensure adequate fuel supplies for Korean reactors, an adequate solution to South Korea's nuclear fuel waste problem, and cooperation in support of South Korean nuclear plant exports. As negotiations continue, much depends on whether the United States is willing to adjust its nonproliferation policies to accommodate Korean interests, or whether U.S. nonproliferation interests ultimately are given priority.

U.S. REBALANCING TOWARD ASIA, NORTH KOREAN PROVOCATIONS, AND THE ALLIANCE

The U.S. rebalancing toward Asia is a second area where regional strategy may influence the direction of cooperation within the alliance, serving either as an opportunity or a constraint.²⁷ On the one hand, South Koreans have largely welcomed renewed U.S. attention to Asia signified by the rebalancing strategy to the extent that U.S. prioritization of Asia, in general, supports stability and prosperity in the region. On the other hand, new issues, including the reemergence of the North Korean threat posed by improvements in its nuclear and missile-delivery capabilities, could be a source of division as the rebalancing strategy unfolds.

The first area of potential contradiction is related to the U.S. emphasis on a broader geographic distribution of its forces, which might draw U.S. attention and resources in the direction of Southeast Asia and the Indian Ocean at the expense of South Korea. This trend could create problems for South Korea in at least three aspects. First, the United States and South Korea will be negotiating a new host nation support package in 2013. These negotiations could be even more difficult than usual, given the broadening of the U.S. scope of operations rather than a more geographically limited prioritization of Northeast Asia. If U.S. Forces Korea are drawn more actively into off-peninsula missions as part of the broader strategy, this could also contribute to budgetary frictions to the extent that South Korea may hesitate to sustain financial support for hosting forces that it perceives as not dedicated to its own defense. South Korean defense specialists may already be worried

about U.S. efforts to extract greater support for costs related to the U.S. presence there, given the effects of budget cuts on the availability of U.S. funds and possible increased demands to South Korea to make up any shortfall.

Second, a broader U.S. strategy that encourages horizontal cooperation among alliance partners has run into a roadblock over South Korean reluctance to establish an agreement for sharing of intelligence information with Japan, a country that would be called on to support U.S.-ROK military operations in the event of a conflict with North Korea. U.S. interests in strengthening the combined defense posture toward North Korea include promoting high levels of cooperation with South Korea, but also with Japan on many rear-area support issues. U.S. support of stronger ROK-Japan cooperation is seen in efforts to promote greater trilateral coordination, including maritime exercises among the three countries for humanitarian and disaster relief-related activities. The United States has also supported Korean involvement in U.S. and Japanese joint research and implementation of advanced missile-defense technologies.

In addition to pressure on South Korea to strengthen relations with Japan, the United States may also seek to work together to enhance South Korea's role in providing security in the region based on its increasing capabilities. Thus far, U.S.-ROK off-peninsula cooperation has primarily supported global stability and has occurred outside the Asia-Pacific region, but there are possibilities to enhance non-traditional roles, for instance in maritime security cooperation, within East Asia as well. South Korean caution toward undertaking military operations in the region that might risk offending China is a major hurdle that would have to be overcome for meaningful U.S.-ROK military cooperation to be extended within the region.

In both her joint press conference with Obama and her address to the Joint Session of Congress, Park sought to knit together the U.S. and South Korean approaches by seeking "synergy" between the two initiatives as "co-architects to flesh out this vision." This suggests that South Korean efforts to improve the regional security environment in Northeast Asia relies on the foundation provided by the U.S.-ROK alliance, but efforts to tie South Korean proposals for regional cooperation to the U.S. pivot could also complicate South Korea's relations with China despite Park's efforts to establish strong ties with her new counterparts in Beijing.

Third, North Korea's provocative rhetoric and successful satellite launch in December 2012 followed by a third nuclear test in February 2013 have combined to raise U.S. concerns about whether the new leadership—possibly emboldened by the acquisition of an enhanced threat and even a potential nuclear blackmail capability—is embarking on a sustained course of provocations, in contrast to a past pattern perceived as provocation combined with efforts to acquire material benefits in the context of tension relaxation. Heightened uncertainty in the U.S. intelligence community over whether Kim Jong-un is playing by the same playbook or has embarked on a more aggressive path has resulted in U.S. efforts to project stronger resolve to deter aggression, including a show of force in March 2013 U.S.-ROK exercises that notably included participation by nuclear capable B-2 and B-52 bombers and F-22 Raptor aircraft. The heightened uncertainty also raised the question of whether the U.S. deterrence message might be taken inside North Korea as evidence of preparations for an invasion of the North that might inadvertently lead to miscalculation or accidental escalation of a conflict.

At the same time, North Korea's more aggressive posture posed a test for the new Park administration along the lines of past efforts by the North to set the terms of interaction with a new South Korean leadership. Park assumed office in the midst of an escalation of inter-Korean tensions but held open the prospect for improved inter-Korean relations based on an articulated policy of "Trustpolitik," which would have the two Koreas stabilize their relationship after the deterioration that had occurred under Lee Myung-Bak following North Korea's 2010 provocations.²⁸ The escalation of tensions foreclosed any early offer of renewed dialogue from Park as the South Korean military matched North Korean threats with responses of their own in an attempt to send a message that the administration will not be subject to nuclear blackmail.²⁹ The tense atmosphere placed a premium on a smooth transition, including cabinet-level meetings to put into place effective coordination. Park and Obama emphasized confidence in each other in their joint commitment not to tolerate North Korean provocations and to strengthen deterrence against North Korea's nuclear threat, while Park asserted that "President Obama's vision of a world without nuclear weapons should start on the Korean peninsula" through North Korea's pledge to abandon nuclear weapons as part of the 2005 Six-Party Joint Statement.³⁰

By authorizing a stronger and more public show of force than usual as part of U.S.-ROK spring exercises, the Obama administration was forced to face the prospect that rebalancing has a larger Northeast Asia component than expected, perhaps at the expense of plans for Southeast Asia. The North Korea situation also tested the administration in the face of the sequester with questions raised regarding the extent to which financial pressures would interfere with defense and deterrence commitments. The Pentagon's show of force, the announcement of plans to augment missile defense, and the decision to deploy Theater High Altitude Area Defense (THAAD) missile defense systems to Guam took place in spite of the sequester as a response to North Korea's heightened rhetoric. But it remains to be seen whether these expenditures might ironically place even greater fiscal pressure on the Pentagon's ability to undertake long-term acquisitions necessary to maintain the U.S. forward defense posture.

U.S. POLICY TOWARD KOREAN REUNIFICATION

A third area where U.S. policies toward the Korean Peninsula might come into conflict with other U.S. policies in the region is related to Korean reunification. A clear vision for Korean reunification on a democratic and market economic basis was set forth in the June 2009 U.S.-ROK Joint Vision Statement and reaffirmed in the joint statement commemorating the sixtieth anniversary of the alliance. This was the first time that the United States had officially made such a clear statement in support of reunification, but China's primary interest on the peninsula has been to support stability by shoring up a comprehensive relationship with North Korea, presumably in ways that directly conflict with the U.S.-ROK objective of Korean reunification.

To the extent that China sees the Korean Peninsula in geostrategic terms as an object of rivalry with the United States, its objective of "promoting stability" comes into conflict with the U.S.-South Korean shared objective of achieving reunification. At the same time, broader regional stability in the Asia-Pacific is increasingly dependent on Sino-U.S. cooperation. Although conflict between U.S. policies toward South Korea and China is not inevitable, how the United States prioritizes the objective of Korean reunification in its respective policies toward these

states will influence the scope, aspirations, and nature of cooperation within the alliance. While the United States must avoid an approach to reunification that unnecessarily provokes conflict with China, it cannot neglect the fact that both sides have identified unification essentially on South Korean terms as a main objective of the alliance. Policymakers in Seoul realize that reunification is unlikely to be attained without regional cooperation, including with China, but they also realize that South Korea will have little leverage to influence China's stance outside the context of strong policy coordination with the United States.

Rising tensions surrounding North Korea provide an opportunity for U.S. leaders to press China's new leadership for greater cooperation vis-à-vis North Korea, given that North Korean provocations are adversely affecting China's security environment and detracting from regional stability necessary for continued economic growth. But the United States also faces a paradox in its efforts to induce stronger cooperation from the Xi Jinping administration: to the extent that it takes advantage of North Korean provocations to press for increases in missile defense or for China to strengthen cooperation at a perceived cost to North Korean support, such an approach reminds Chinese leaders of their own geostrategic equities on the Korean Peninsula vis-à-vis the United States and distracts them from focusing on North Korea as the original instigator and source of Chinese concerns regarding the costs of instability on the Korean Peninsula.

A potential new variable in this equation is the clear effort on the part of the Park administration to improve the tone and substance of China-South Korea relations. The task of improving this relationship will be enormously difficult given the fact that China's views of its relationship with South Korea often seem to be shaped by views of its respective relationships with North Korea and the United States, in addition to its perception of the nature and state of inter-Korean relations. For China-South Korea relations to improve, China will have to perceive direct strategic benefit from this relationship, even as South Korea continues to value its security relationship with the United States. So far, there is little for the United States to be concerned about in Park's efforts to improve relations with China, especially since the strategic stakes for relations with China are likely to be higher than the costs of missteps to the United States.

CONCLUSION

The U.S.-ROK alliance has grown to encompass significant new scope for cooperation, extending both to economic cooperation and to off-peninsula security cooperation. These new pillars of alliance cooperation do not replace North Korea as the primary focus for the alliance, but they do greatly expand the scope of the alliance to many international security issues that had previously not been relevant to the alliance, increasing the importance of South Korea to the United States and of the U.S.-ROK alliance to global concerns.

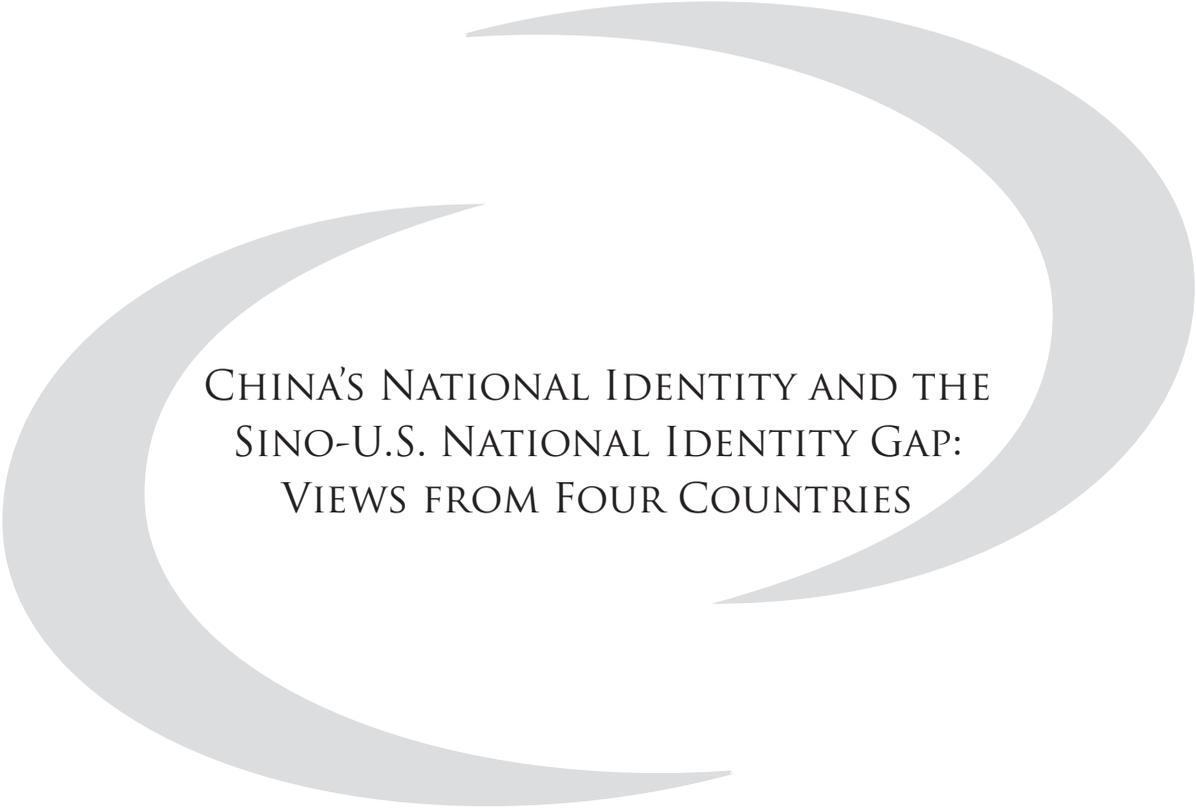
The continued growth of the U.S.-ROK alliance, however, is also bumping up against other U.S. policy priorities on specific global and regional issues, including nonproliferation policy, the U.S. rebalancing policy toward Asia, and management of a more risk-acceptant North Korea. In their May 2013 meeting, Obama and Park acknowledged the accomplishments of the past sixty years of alliance relations, and tried to lay groundwork for close cooperation on the seemingly intractable security issues likely to beset the peninsula and the Northeast

Asian region in the years to come. For the time being, coordination within the U.S.-ROK alliance remains one of the few indisputable bright spots in a Northeast Asian regional security environment that both tests and testifies to the necessity of the U.S.-ROK alliance.

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CHINA'S NATIONAL IDENTITY AND THE
SINO-U.S. NATIONAL IDENTITY GAP:
VIEWS FROM FOUR COUNTRIES

INTRODUCTION

The countries bordering China are in the forefront in facing the challenge of a widening divide between China and the United States. Others, including those in Parts I and III, treat this divide as a question of security or economic organization. In the following four chapters we focus instead on the increasing national identity gap between the two powers, starting with responses to Chinese identity as it is being reconstructed and proceeding to reactions to the way its gap with the United States is seen. Before the views from three neighbors are reviewed, one chapter covers the debate inside China on identity themes that separate it from the West, notably the United States. As tensions over identity-laced topics intensify, these chapters break new ground in developing a triangular perspective useful in an era when great and middle powers are repositioning themselves strategically, while at the same time searching for a national identity response to what is perceived as growing cultural bipolarity.

A common thread in Part II is attention to a bilateral national identity gap. By this, we mean a substantial and sensitive divide between two countries that rises to the level of significantly influencing the national identity of one or both. When a gap is wide, it becomes difficult to discuss the identity of one country without crediting its animosity to the other as a determining factor. Symbols of identity rise to the fore such as territorial disputes, historical grievances, cultural affronts, signs of lack of respect, and suspect relations with third countries. Pragmatic relations are difficult.

National identity gaps are pronounced in Northeast Asia. China and Russia stir anti-Americanism in a manner reminiscent of communist diatribes against U.S. imperialism, grounding the critique in civilizational contrasts. If Americans strive to narrow the gap, doing what proved constructive in the years when Chinese welcomed the image of a “responsible stakeholder” and Russians embraced the “reset,” they now are rebuffed. Ambassadors Michael McFaul and Gary Locke arrived eager to bridge the gap before they were vilified as “enemies.” Similarly, when Abe Shinzo and Park Geun-hye sent emissaries to Beijing to start their time in office rebooting bilateral relations, they were met with suspicion amidst a dangerous territorial confrontation with Japan and a sharp divide with South Korea over how to deal with both North Korea and the U.S. alliance. The divides between nations appear unbridgeable when depicted not as two states striving to find common ground and seeking compromise in order to pursue national interests in the least conflicting manner possible, but as antagonistic civilizations with existential differences that require capitulation now.

The chapters in Part II do not apply a single framework for studying national identity gaps. See-Won Byun examines South Korea’s gap with China across different aspects of identity, including historical and cultural identity, human rights and political identity, territorial issues, North Korea and Korean unification, and economic identity. Ming Wan surveys a range of Japanese-driven identity orientations. I apply a six-dimensional framework for analysis of national identity: ideological, temporal, sectoral, vertical, horizontal, and intensity. William Callahan assesses dynamic tensions among socialism, nationalism, statism, democracy, and indigenous values in interpreting differences in Chinese thinking without evaluating national identity gaps as such. No effort is made to standardize approaches, but the chapters are all examples of stress on national identity differences continuing to intensify while shaping bilateral ties.

The identity themes in the four chapters largely overlap: Byun's discussion of historical identity; Wan's of Japan's focus on Chinese views of its past; Callahan's of Chinese attention to a "radically different and unique historical experience;" and my characterization of the temporal dimension through views of three distinct periods showing Russia's preference for China's history over that of the United States. For all four authors, history is a centerpiece in evaluating changing narratives on what is distinctive about China and how to respond to intensifying Sino-U.S. competition. On the cultural theme, Byun describes expanded South Korean "debates on the ownership of Confucian values, tradition, and other representations of national heritage;" Callahan refers to an "essentialized understanding of Chinese civilization;" Wan is careful to note that the "Japanese sense of affinity results from a sense of similarities with the Americans or a sense of finding the United States trustworthy even if it is different culturally;" and I highlight cultural national identity as a theme in sectoral identity.

Above all, these chapters share concern with perceptions of whether there is an unbridgeable identity gap between China and the United States or space exists to exploit this divide. Callahan discusses Chinese exceptionalism that draws a sharp contrast, with no prospect of narrowing the gap. I also see Putin steering Russia to the same conclusion, leaving no room for finding middle ground through an identity balanced between China and the United States. Byun acknowledges Seoul's "uneasy position" between its main economic partner and ally and suggests that Park seeks to narrow the identity gap with China, but she notes asymmetric interdependence with China and themes such as human rights and political identity that demonstrate a much wider identity gap with that country. For Wan, Japan is no longer worried that a widening Sino-U.S. gap is bad for it, but Americanization is losing its appeal at the same time as the identity gap with China is widening much more sharply.

In the deteriorating atmosphere of late 2012 and early 2013, leaders called for renewed pride in nation, as if that were the principal problem in foreign affairs. In his policy speech to the Diet on January 28, Abe asserted, "The greatest crisis facing Japan lies in the Japanese people having lost confidence. It is certainly true that the Japanese economy is in a serious state... The most important thing is to restore pride and confidence in yourself, is it not?"¹ Abe's remedy for what ails his country is pride not only in the present but also in the history of the war period. It is defiance of foreign and domestic critics that will lead to a strong Japan, he contends.

On February 19, Putin took a similar tack, arguing for a single secondary school textbook "free of internal contradictions and ambiguities. This should be a mandatory requirement for all teaching materials... built around a single concept, with the logical continuity of Russian history, the relationship between the different stages in history, and respect for all the pages of our past."² Xi Jinping was no less emphatic about the relevance of history, focusing more directly on socialism and linking China to Soviet history. In his late December Southern Tour speech that was leaked in late January, he stated, "Why did the Soviet Union disintegrate? Why did the Soviet Communist Party collapse? An important reason was that their ideals and beliefs had been shaken. In the end, 'the ruler's flag over the city tower' changed overnight. It's a profound lesson for us! To dismiss the history of the Soviet Union and the Soviet Communist Party, to dismiss Lenin and Stalin, and to dismiss everything else is to engage in historic nihilism, and it confuses our thoughts and undermines the Party's organizations on all levels."³ Tensions in foreign relations are exacerbated by leadership eager to reconstruct history.

While U.S. policy is now torn between seeking China's assistance in dealing with a dangerous North Korea and warning China of the consequences of crossing red lines in cybersecurity attacks, the Obama administration strives to narrow the national identity gaps that threaten to destabilize the region. In the late February summit with Abe, there was no sign of demonizing China or even of warning it about its threatening territorial posture. Managing foreign policy hot spots is difficult enough without national identity gaps standing in the way of the most essential pragmatic steps forward. Yet, new leaders, especially Xi Jinping, Vladimir Putin, Kim Jong-un, and Abe Shinzo, are more likely to widen them than to disabuse their domestic base of their urgency and signal to the outside world that regional stability based on trust is more important than national pride.

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The Debate Inside China

William A. Callahan

In his recent work Gilbert Rozman explains the growing tensions between the People's Republic of China (PRC) and United States in terms of the symbolic politics of a widening "identity gap." This identity gap is important, he argues, because it pushes both countries towards more fundamentalist views of themselves and each other, which in turn fosters ideas of an "inevitable" zero-sum geopolitical conflict.

This neo-Cold War clash thus goes beyond the material measures of economic growth and military power to be a question of values: the China model versus the Western model (or the American model). While American values—often summarized as the "American dream" of freedom, equality and prosperity¹—are well-known and much-debated, the content of Chinese values has been in flux over the past century, and especially since Deng Xiaoping inaugurated the reform and opening policy in 1978.

This chapter will assess China's national identity by examining debates about values current in the PRC. The rise of China is of global interest primarily because of its economic growth over the past three decades. Reflecting on their country's recent economic success, China's policymakers and opinion-makers are now asking "what comes next?" How can the PRC convert its growing economic power into enduring political and cultural influence in Asia and around the globe?

Its economic ideas that look to both the authoritarian state and the free market are gaining prominence among those who proffer policy advice in international institutions such as the World Bank as well as among those who craft policies in many developing countries. In 2009-2010, the PRC actually lent more money to developing countries than the World Bank.² This renewed sense of Chinese self-confidence, which is understood in the context of impending East-West conflict, has generated important Chinese-language discussions of the China model, the China dream and Chinese exceptionalism.

The China model is more than an economic program, where the Beijing Consensus of state capitalism challenges the neoliberal Washington Consensus. For many, it actually describes a holistic system of politics, economics, society and culture that is seen as both unique and superior to liberal democracy and free-market capitalism. The China model thus is not simply about economic growth; it inspires a China dream that celebrates what many—including President Xi Jinping—call "the rejuvenation of the Chinese nation" as a global power.

Rather than look to texts that discuss political and moral values directly, this chapter explores Chinese values indirectly through an examination of the work of three of China's top economic and political-economic theorists: Justin Yifu Lin, Hu Angang and Pan Wei. Their work is important firstly because it reflects the tone of the mainstream values debate in China (which is increasingly essentialized and exceptionalist, fostering a zero-sum framing of China's conflict with the U.S. and East Asian countries),³ and secondly because it informs state policy (in China and beyond).

To grasp the impact of this debate, we need to understand how economic debates of state planning versus the free market quickly become moral debates of universal values versus Chinese exceptionalism, and the Western model versus the China model. In this way we can explore how China's economic debates inform broader issues of the U.S.-China identity gap and China's role in East Asia.

This chapter will argue two points. First, identity and values in China are moving beyond internal identity debates about “nationalism,” which were primarily concerned with the CCP’s regime survival, to debates characterized by a “statism” that promotes China as a regional and global power. Previously, I argued that to understand China’s national security we need to appreciate its nationalist insecurities, in particular a specific reading of China’s modern history as the “Century of National Humiliation.” The dynamic tension here is between the pride inspired by the accomplishments of China’s 5,000 years of civilization, and its humiliation at the hands of Western and Japanese imperialist incursions since 1839. This pride/humiliation dynamic generated a passive, defensive and reactive foreign policy.⁴

In 2008 two events—the success of the Beijing Olympics and the beginning of the global financial crisis in New York—encouraged Beijing to “seize the strategic opportunity” to pursue a more offensive foreign policy. The sense is that since now Beijing is strong (and the West is weak), China will soon return to its “natural place” at the center of the world. According to this popular view, China no longer needs to “bide its time and conceal its capabilities”; it is entitled to strike back to right historical wrongs, including reclaiming territories that neighbors “stole” when China was poor and weak.

Since 2009, Beijing has revived long-dormant territorial disputes with South Korea, Japan, Vietnam, the Philippines and India. In 2010, Chinese foreign minister Yang Jiechi added insult to injury when he explained Beijing’s new Sinocentric approach to his Southeast Asian counterparts: “China is a big country and other countries are small countries, and that’s just a fact.” A *Global Times* editorial fleshed this out when it warned “small countries”—South Korea and the Philippines—to stop challenging China in the Yellow Sea and the South China Sea: “If these countries don’t want to change their ways with China, they will need to prepare for the sounds of cannons.”⁵ Here the goal of “national rejuvenation” is to make China the number one power first in the Asian region, and then in the world. The chapter will explore this new dynamic of hubris/humiliation, where Chinese public intellectuals stress “statism” more than nationalism.

Although nationalism and statism often overlap in China, it is important to understand their differences. In his critique of current trends in Chinese thought “Does China Need a Leviathan?” Xu Jilin argues that there has been a significant shift from nationalism to statism (in the sense of Thomas Hobbes’s Leviathan that has complete control over people). This can explain what Xu calls the “collective right turn” of many of China’s intellectuals over the past decade.⁶ People who were liberals in the 1980s and nationalists in the 1990s are now statist. Their China dream involves tight state control of politics, economy, and society to promote the key values of hierarchy, stability and unity—which are different from nationalist themes that look to cultural values of civilization, and from socialist themes that value equality over hierarchy.

In this vein, Zhang Weiwei argues that Chinese people have an overwhelming collective fear of chaos.⁷ Hence, the debate in China is not about finding the correct balance of freedom and security (which we saw in American debates about the “War on Terror”), but about a stark choice between total Order and total Chaos. In Chan Kooncheng’s science fiction novel, *The Golden Era: China 2013* (translated into English as *The Fat Years*), a character explains that when offered the Hobbesian choice between anarchy’s “war of all against all” and the order of absolute dictatorship, the Chinese people will always pick the Leviathan.⁸ In this

new statist era, China is more than simply a nation-state: it is a party-state, a civilization-state, a military-state, and an empire-state. Chan's novelistic description of ideological debates in China thus confirms Xu's critical discussion of trends among China's top thinkers where Hobbes's *Leviathan* is also more prominent than Confucius. This is what I mean by statism—which comes from Chinese and Western sources—as a distinct trend that differs from cultural nationalism that looks primarily to Chinese tradition.

Values discourse typically evokes essentialized fundamentalist themes—e.g. the purity of China's exceptional values, which must be protected from the pollution of Western values. But the second conclusion of this essay is that “national” values are intimately intertwined with extra-national sources in a global conversation. The China dream is a response to the American dream (which, in turn, was a response to European values, and so on). Indeed, discussion of China's distinct economic development model actually originated in the West with Joshua Cooper Ramo's “The Beijing Consensus” (2004) think tank report that challenged the then-dominant Washington Consensus.⁹ Likewise, public intellectuals like those considered in this essay characteristically have had an international experience that includes studying, living, and working in the United States. For some, it led them to formulate more complex views of China's relation to the world; for others, it hardened their belief in a zero-sum notion of “China versus the West.” For both groups, living abroad was an important experience that shaped their views. Thus, this essay examines how the China dream is interwoven with the American dream, although sometimes in negative “Occidental” ways.

By examining how China's new statism grows out of its (often negative) interaction with the West, we can see how essentialized zero-sum identity gaps can foster predictions that zero-sum geopolitical conflict is “inevitable.” The solution is to critique such essentialized views of identity and knowledge, and foster a more nuanced appreciation of the overlapping identities and shared values of people in China, East Asia and the United States.

JUSTIN YIFU LIN'S ECONOMIC DEVELOPMENT STRATEGY¹⁰

As the first Chinese to rise to the leadership of an international financial organization—in 2012 he completed a five-year term as vice president and chief economist of the World Bank—Lin is hugely influential in China and abroad. Before he went to the World Bank, Lin was famous, according to Nobel Laureate Joseph Stiglitz, for bringing “market economics into China.” Then at the World Bank Lin became the “global ambassador” for the Chinese model of economics.¹¹ Lin thus is a key figure who works at the center of both the Beijing Consensus and the Washington Consensus. To a large extent, then, Lin reflects Beijing's official view of economic development strategy.

Starting with his co-authored book *China's Miracle* (1994), Lin has argued that a country's development strategy needs to follow its comparative advantage and endowment structure.¹² Hence, developing countries that have abundant unskilled labor and scarce capital need to attract foreign investment to develop labor-intensive light industries that make consumer goods for trade on the global market. Using the profits from this global trade to develop human capital (i.e., educate workers) and physical capital (i.e., build infrastructure), the country will be able to shift from labor-intensive industry to capital-intensive industry, thus making the transition from a developing to a developed economy that has an equitable distribution of wealth. In so

doing, countries can move from an agricultural to an industrial economy and from a centrally planned economy to a free-market economy.

Lin argues that ideas determine developmental success. To explain his mix of industrial policy and free markets, he locates his advice in the historical context of the two “bad ideas” that dominated postwar social thought: import-substitution industrialization and the Washington Consensus. Import-substitution industrialization was adopted by many new postcolonial states in the 1950s and 1960s as a means to develop heavy industry, which was seen as the key to modernity, security and prosperity. This “leap-forward strategy” that relied on the nationalization of strategic industries, subsidies for heavy industry, increased taxation, and protectionist trade policies did not lead to sustainable economic growth, Lin argues, because capital-intensive development defied the countries’ comparative advantage of abundant cheap labor. Since the government could not keep subsidizing heavy industry, economic growth stagnated, unemployment rose, and income distribution polarized.

The Washington Consensus, which was promoted by the International Monetary Fund (IMF) and the World Bank, was a direct response to the failure of the import substitution strategy. It instructed developing countries to privatize and liberalize their national economies. But the IMF’s “shock therapy” actually led to declining economic growth and rising unemployment in many countries. Lin thus concludes that such “shock without therapy” produced “economic chaos.”¹³

Lin’s economic theory is innovative because it employs elements from both failed economic models to argue for the importance of both government intervention and free markets. He looks to examples from East Asia, the only region to successfully graduate from developing to developed economies. While it is common to argue that Confucian civilization is the key to the East Asian economic model, Lin explains the model through economic theory, although at times with a cultural twist.

Rather than submitting to shock therapy and rapid transition, East Asian countries shifted from centrally planned economies to market economies through a hybrid approach that gradually opened their economies to foreign competition. Lin thus subscribes to the standard view of “Reform China”: Its economic success over the past three decades likewise comes from Deng Xiaoping’s pragmatic and experimental approach of gradually opening the Chinese economy.

Since 2008, Lin’s most important impact has been on the international stage. When World Bank president Robert Zoellick hired Lin in 2008, he was encouraging China to be a “responsible stakeholder” in the international system—the policy Zoellick inaugurated in 2005 when he was deputy secretary of state in the administration of President George W. Bush. Yet, from the very beginning Lin and the Chinese leadership planned to use the World Bank to promote Chinese ideas to a global audience. By showing the utility of government intervention and industrial policy, Lin set a new research agenda at the Bank, which successfully challenged the Washington Consensus’s market fundamentalism.

Lin’s development model combines state planning and the free market to argue for the economic convergence of the developing world catching up to the developed world. Rather than contrasting “Western” and “Chinese” models, he combines features from the import-substitution and the export-oriented regimes. In this way, Lin goes in a slightly different

direction from the trend mentioned in the introduction: (1) rather than engage in a shift from Chinese “nationalism” to a globally-focused “statism,” he is primarily concerned with issues of economic development around the world; (2) his activities in China and the U.S. show a curious engagement with both the Beijing Consensus and the Washington Consensus.

HU ANGANG’S WORLD OF GREAT HARMONY

Hu Angang teaches at Tsinghua University’s School of Public Administration and Management and runs its China Studies Center. Over the past decade, he has been fine-tuning the China model as a key government adviser and public intellectual. Three of his recent books attest to his influence: *2020 China: Building a Comprehensive Well-Off Society* was originally commissioned by the party to make policy recommendations for Hu Jintao’s “Report to the 17th Party Congress” (2007); *China: Going Toward 2015* was commissioned by the National Development and Reform Commission as a policy study for the 12th Five-Year Plan (2011-2015); Hu’s latest academic book, *2030 China: Towards a Common Prosperity* (2011), uses the data from these official projects to think about China’s long-term future.¹⁴

On the last page of *China in 2020: A New Type of Superpower* (2011), Hu states that Chinese need to “rethink” the “China Dream” beyond pure economics. Since China’s success in the 21st century will be measured by its contributions to the world, Hu argues that “China’s modern rejuvenation” will be shown through its “contributions to human development, science and technology, the green movement, and culture.”¹⁵ This progressive view of China’s future role in the world is indicative of Hu’s role as a social critic. As a public intellectual he is famous for pushing the government to address the problems of rural poverty and environmental degradation in order to make China’s economic development inclusive and sustainable. It is significant, therefore, when Hu tells the world that the PRC will be a different kind of world leader, “predict[ing] that China will be a mature, responsible, and attractive superpower.”¹⁶

But a closer look at Hu’s work shows that tension exists between the qualitative human development goals and the quantitative goal of surpassing the United States. Simply put, both Hu’s reports for the government and his academic work stress the quantitative target of catching up to and surpassing the United States. Like Lin, Hu is optimistic about China’s prospects, forecasting that by 2020 the PRC will surpass the United States to be the world’s top economic power.¹⁷

Lin argues that China will prosper by following its comparative advantage at every stage; catching up to the United States is an added benefit of this general process. Hu’s argument is quite similar: he likewise praises Deng Xiaoping’s pragmatic policy that gradually reformed China’s political economy through a process of trial and error. The key, once again, is to develop China’s infrastructure and human resources. Hu argues that the PRC is shifting from an export-oriented economy to one in which the domestic consumption of China’s growing middle class will drive development.¹⁸ While Lin sees government facilitating the market, Hu was an early critic of market fundamentalism. Following this state-centric view, Hu thinks that China’s state-owned enterprises (SOEs) are the key to its continued success.

Hu deviates from most economists’ views, however, when he declares that we need to acknowledge the importance of the Maoist period (1949-1976) in China’s economic

development. He challenges the popular notion that views the Cultural Revolution as “ten lost years,” explaining that this “ten-year upheaval . . . made reform and opening possible. It provided the circumstances necessary for the last thirty years of progress towards increased unity, stability and prosperity.” Hu credits Mao for creating “the strategic concept of catching up and then surpassing the U.S.,” declaring that “it now seems that Mao’s grand strategy for China is on the verge of being realized.”¹⁹

Yet, if we follow Lin’s analysis, Mao’s political campaigns to develop heavy industry actually retarded China’s economic growth. In other words, Mao’s grand political goal of beating the United States could be achieved only by discarding Mao’s economic policies. In asides and footnotes, Hu acknowledges the problems with Mao’s “leap-forward” economic theory—which he recently called the “Moscow Consensus”²⁰ (as opposed to the Washington or the Beijing Consensus). Yet he still quotes Mao’s aspirational statements throughout his work. In the end Mao’s thought is useful, Hu argues, simply because it is Chinese.²¹

Hu’s arguments go beyond economic issues to target the United States not just as an economic or a political competitor, but also as a moral problem. In *2030 China*, Hu states that Washington Consensus advice to “completely privatize the economy and democratize politics” is not just mistaken (as Lin argues), but is the “evil road.”²² Americans, he tells us, are selfish because their culture is “exceedingly individualistic.” Chinese are “more tolerant” because their culture is guided by “the principles of harmony, peace, and cooperation.” China thus will be a “mature, responsible, and attractive superpower,” Hu explains, because it is *different* from the United States.²³ This essential difference, for Hu, is an unbridgeable identity gap.

Consequently, China’s different style of economic power will transform the way the world works economically, politically, and culturally: “China can promote the reform of global governance systems, break the monopoly of the United States, and assert a greater influence in the world. This can also serve to break the western culture’s long-standing monopoly over modernity and bring more diversified cultures and values to the world stage.”²⁴ Hu thus forecasts not simply a great convergence of developed and developing economies, but a “great reversal,” one in which the global South has more wealth and power than developed countries in the North.

To promote what he calls the “China Road,” Hu argues that the PRC’s public intellectuals need to develop the “discursive power” of the “Chinese voice” and the “Chinese perspective.”²⁵ Although he occasionally references China’s classical culture, the Chinese perspective for Hu is guided by “socialism with Chinese characteristics.” Rather than quote Confucian aphorisms, Hu cites Deng Xiaoping’s “well-off living standard,” Jiang Zemin’s “well-off society,” and Hu Jintao’s “harmonious society” and “peaceful development” as “modern Chinese innovations that bear strong Chinese and socialist characteristics.”²⁶

To understand how Hu is developing a political-economic China model, it’s helpful to compare his views with those of Justin Yifu Lin. While Lin analyzes China as a “developing country,” Hu is shifting from a general view of “China in the world” to a more specific view of China as a unique case, which other countries can follow if they choose. While Lin looks to Deng’s economic reform and to its opening to the West, Hu cheers Mao’s challenge to the West. While Lin explores how the rise of China will usher in a multipolar world, Hu concludes that, by

2030, China will guide a Sinocentric world order to establish the “World of Great Harmony” (*datong shijie*), which is not only “China’s dream,” but also the “world’s dream.”²⁷

Thus, Hu is moving from general arguments about global developmental economics to a specific argument about the PRC’s unique “China road.” His arguments develop the two points raised in the introduction: (1) a shift from “nationalism” to a “statism” that sees regional and global power as its main arena, and (2) his China dream is interwoven with the American dream, albeit in a negative way as a response to “Western values” in what he sees as an essentialized East/West conflict.

PAN WEI’S CHINA MODEL

Although Justin Yifu Lin and Hu Angang offer sophisticated explanations of China’s hybrid strategy of economic development, to many the China model is still simply shorthand for “authoritarian state + free market capitalism.”

However, Pan Wei, the director of Peking University’s Center for China and Global Affairs, is not satisfied with this description. In the long introduction to his popular edited volume, *The China Model (Zhongguo moshi, 2009)*, Pan argues that Western social science concepts such as “authoritarianism” and “the free market” cannot explain China’s unique experience. China’s experience thus “challenges the ‘market/state planning dichotomy’ of Western economics, the ‘democracy/autocracy dichotomy’ of Western political science, and the ‘state/society dichotomy’ of Western sociology.”²⁸

These concepts are not “universal,” he argues, because they grew out of Europe’s (and then America’s) particular historical and cultural experience. Since China has a uniquely different historical experience, Pan says that it can be judged only by its own set of concepts. Pan here is doing more than describing the Chinese experience. Through his books and speeches in China and abroad, Pan is building his unique China model to challenge the very idea of “universal values” such as democracy and human rights. Yet his arguments do not entail a critique of universalism itself; his essentialized understanding of Chinese civilization has its own historical and theoretical problems.

Pan explains the China model in terms of three “indigenous” Chinese submodels—public/private (*guomin*) economics, people-based (*minben*) politics, and organic (*sheji*) society—that are contrasted with “Western” approaches to order and governance. Mainstream Western philosophy generally recognizes the diversity of interests in modern society, and it sees order in terms of balancing competing interests through “checks and balances.” Chinese philosophy, Pan tells us, starts from the assumption of unity, and it sees order as a process of integrating divisions into an organic whole, ultimately into the “World of Great Harmony” (*datong shijie*). While Western economics sees a struggle between free markets and state intervention, China’s public/private economic model harmonizes both sectors. While Western politics looks to legalistic concepts of competing rights, China’s people-based political order is based on mutual responsibility. While Western sociology sees a battle between the state and civil society, China’s economic development and political stability are based on organic society’s integration of officials and the people.

Public/private economics, people-based politics, and organic society are all new concepts; but Pan looks to China's two traditions—ancient Chinese culture and modern socialist ideology—to argue that they are an integral part of Chinese civilization. He quotes many passages from classical Chinese philosophy to show how the “China model is the 21st century's new edition of the Chinese system.” Pan also looks to socialism to describe his public/private economy, which he concludes is the same as what CCP “officials call the ‘socialist market economy with Chinese characteristics.’” Like Hu Angang, Pan reclaims the Maoist period (1949-1976) as part of the China model's “60 years of achievement” because “our country's state-owned sector was built in [the PRC's] first 30 years.” The economic, political, and social submodels all rely on a strong CCP, which Pan describes as “an advanced, neutral, united ruling group.”²⁹

In this formulation, Chinese society is presented as a conflict-free organic whole that must be defended from Western attack. According to Pan, Chinese critics who advocate deeper political reform really want “to demolish the Forbidden City in order to build the White House” in China, so “foreign forces can control China's military, politics, economy and society.” China thus is at a “crossroads”: “In the next 30 years, which direction will the Chinese nation take? Will it preserve China's rejuvenation? Or will it have superstitious faith in the Western ‘liberal democracy’ system, and go down the road of decline and enslavement?” Chinese people, he tells us, should celebrate the China model simply because it is not “foreign” or “imported.”³⁰ The irony here is that Pan does not question the Western roots of the ideologies of nationalism, socialism and communism, which he fully supports.

To put Pan's China model in context, it is helpful to think of it in terms of the conceptual distinctions mentioned above. Although Pan stresses harmony and balance as Chinese values, his model very clearly advocates government intervention in place of the free market. It sees Chinese political-economic-cultural trends diverging from Western “hegemony,” and he pits the China model against what he calls the Western model to promote Chinese exceptionalism against universal values. Like Hu Angang, Pan argues that the China model is different from the East Asian development model that Lin supports. Even more than for Hu, the West is for Pan a source of conspiracies to keep China down, including “booby traps” like liberal democracy. While Hu insists that China needs to enhance its “discursive power” so the world can hear the “Chinese voice” and appreciate the “Chinese perspective,”³¹ Pan argues that Chinese scholars need “to be confident about their own native civilization to promote the formation of ‘Chinese discursive power’ and the rise of the ‘Chinese school.’”³²

One of the main goals of China model discourse is to affirm and support Beijing's current system of governance that is dominated by the CCP. The China model involves tight state control of politics, economy, and society to promote the key values of hierarchy, stability and unity. Pan's expression of “Chinese exceptionalism” justifies the status quo of authoritarian rule because China's uniqueness shields it from criticisms that look to values that Pan would dismiss as “foreign.” In this way, Pan exemplifies the trends outlined in the introduction: (1) his nativism demonstrates the shift from “nationalism” to “statism,” and (2) his China dream is interwoven with the American dream in ways that are even more negative than Hu Angang's. His identity gap is wholly unbridgeable.

FROM DEVELOPMENTAL ECONOMICS TO WEALTH AND POWER

While this essay's analysis has focused on people who are crafting an alternative to the West, there are certainly critics of the China model within the PRC.³³ However, among the China model's supporters and detractors the key issues remain the same: What is the proper relation between the government and the market, the China model and the Western model, and Chinese exceptionalism and universal values? Justin Yifu Lin's explanations of the China miracle generally look to the market, Western economics, and universal values—his goal is to move from developing to developed economy and from state planning to a full market economy.

Hu and Pan, however, see China's goal as a combination of government intervention and markets. They also are much more interested in political, cultural, and social explanations of China's success. Their explanations describe a shift not just from developing to developed economy, but also shift from seeing such transitions in terms of economics, first to political-economics and then to the search for China's unique road to wealth and power.

Lin is critical of Mao's early heavy industrial strategy, which he calls the "leap-forward strategy" after the failed Great Leap Forward mass movement. He argues China's success started with the economic reforms of 1978. The other two public intellectuals each date China's emergence as a great power to 1949 in order to reclaim the experience of the PRC's first thirty years. Rather than criticizing Mao's leap-forward strategy, they see it as the secret of China's success.

Although these three public intellectuals differ about the past, there is a consensus about China's long-term objective: Great Harmony (*datong*). Hu and Pan specifically mention "Great Harmony World" as their goal for China and the globe. This utopian ideal, which comes from China's two millennia old Book of Rites (*Liji*), describes a happy, conflict-free, organic society. Lin, who brought a calligraphic scroll of the Great Harmony passage with him to Washington, D.C., explains that "it advocates a world in which everyone trusts each other, cares for others and not only for himself. . . . This was my vision for the World Bank. . . . We try to work on poverty reduction and promote sustainable growth."³⁴

While promoting Great Harmony, Lin, Hu, and Pan all agree that democracy is the problem rather than the solution. Pan is particularly defensive, seeing democracy as a conspiracy, a trick, a booby trap that the West wants to use to enslave China. At times, China model discourse seems to boil down to Occidentalism: For China to be good, it needs to understand all Western things as "evil" (and all evil things as "Western").

CONCLUSION: OCCIDENTALISM AND CHINESE EXCEPTIONALISM

The idea that Chinese civilization is not just uniquely unique but "uniquely superior"—and uniquely threatened—is where the China dream becomes Chinese exceptionalism (*Zhongguo teshulun*). While American exceptionalism grows out of the idea that the United States is the world's first new nation, Chinese exceptionalism looks to 5,000 years of uniquely continuous civilization to see China as the world's first ancient civilization.³⁵

While American exceptionalists see the United States as a beacon of freedom and democracy, Chinese exceptionalists see their country as a peaceful and harmonious alternative to Pax Americana. Although historians have provided a nuanced analysis of China's turbulent imperial history,³⁶ many strategists and public intellectuals still take for granted the exceptionalist argument that China's civilization is "inherently peaceful." But Chinese exceptionalism actually involves more than just trumpeting the country's "peaceful civilization."

Just as in the United States, Chinese exceptionalists assume that their country is exceptionally *good*. Kang Xiaoguang, a famous political-economist who combines expertise in rural development and Confucian values, explains this in his seminal essay "Chinese exceptionalism": "Chinese people themselves think that their race-nation is the most superior in the world. Even when they are in dire straits, they always feel that they should be the number one in the world."³⁷

Although his ultimate goal is a World of Great Harmony (*shijie datong*) based on China's "inherently peaceful" civilization, Kang primarily sees Chinese exceptionalism as a negative factor—defining not what China is but what it is not. The short answer is: China is exceptional simply because it is *not* Western or democratic. Since China's experience is different from that of the West, he explains, "Western experience cannot dictate the future of China, and China's future will not simply repeat the past experience of others." Here Kang joins those who question the economic determinism of the Washington Consensus that tells us that liberal markets inevitably lead to liberal democracy.

But he goes further: because China is uniquely unique, the experiences of the Third World, post-socialist states in eastern Europe and Russia, and the "Confucian cultural circle" of East Asian countries (including Korea and Japan), are also irrelevant to China's development path. A major theme of Chinese exceptionalism, then, is not just promoting China's road as an alternative to mainstream development theory. To make sense of China as an alternative, Kang needs to go beyond criticizing economic theory to figure his model as the "opposite of Western individualism and a rejection of Western culture."

Here Kang joins others who can paint a rosy picture of Chinese values only after they have "Occidentalized" the West through negative stereotypes. "Orientalism," according to Edward Said, was not simply a description of "the East" produced by Europe's imperial bureaucrats. Orientalism mixed culture and politics to become European imperialism's "corporate institution for dealing with the Orient—dealing with it by making statements about it, authorizing views of it, describing it, by teaching it, settling it, ruling over it; in short, Orientalism as a Western style for dominating, restructuring, and having authority over the Orient."³⁸

Occidentalism works the same way as Orientalism, except in reverse: China asserts authority over itself and the West by first rejecting the West, and then searching for essential Chinese values in a negative quest. Recall that Hu Angang points to America's "excessive individualism" to show the value of Chinese harmony; to promote what he calls the "China road," he has to denounce the Washington Consensus as the "evil road."

While most public intellectuals frame the rise of China in terms of China versus the West/America, Zhang Weiwei's discussion of the China model places it in a regional context as well. In *The China Shock* (*Zhongguo zhenhan*, 2011), Zhang certainly starts from

arguments similar to those of Pan Wei: the world is faced with two options, the China model or the Western model. Zhang also romanticizes Chinese culture as harmonious and peaceful, while the West is presented as violently confrontational. But at the end of his book, Zhang tests the China model by comparing it with countries outside “the West”: India, Eastern Europe and East Asia. Rather than examining such countries on their own terms, he slots them into the China model/Western model framework. As his section titles indicate—“The Democracy Predicament: My View of India,” and “The Democracy Predicament: My View of East Asia”—his goal is not merely to criticize these countries as rivals, but to Occidentalize them as part of a general battle against liberal capitalism and liberal democracy.

Zhang spends a fair bit of space, for example, denouncing India; he thus can conclude that rather than being proud of being the “world’s largest democracy,” Indians should be concerned about hosting “Asia’s largest slum” in Mumbai. South Korean, Japanese, Taiwanese, Thai, Mongolian and Filipino problems—which in fact are quite diverse—are likewise all traced to a single source: choosing to follow what Zhang calls the “flawed Western democratic system.”³⁹

Zhang’s solution is for these various countries to jettison democracy, and return to the warm embrace of Chinese civilization, whose values, he explains, are shared by all East Asian countries.⁴⁰ East Asian society (which he describes as a single entity), is based on harmony and the family. Hence if East Asians foolishly “copy” Western ideas and institutions, then they will fall prey to what Zhang describes as the “five democratic diseases”: social division, weak state power, short-termism, politicization of issues, and populism.⁴¹

In Zhang’s paternalistic schema, it is problematic for non-western countries to be “low quality” copies of liberal democracy, while it is natural for East Asians to be derivative of Chinese civilization and Confucian values. Like other Chinese exceptionalists, he does not acknowledge that the PRC copied European Marxist ideas and Soviet Russian institutions. Zhang likewise shows little appreciation of the fact that Koreans often argue that their country is even more Confucian than China.

Zhang’s *China Shock* is important for two reasons. Firstly, Zhang is part of the new breed of public intellectuals mentioned above who have traveled widely, speak to Chinese and foreign audiences, and have elite connections: Zhang was Deng Xiaoping’s translator in the 1980s. Secondly, the book (and related newspaper articles) has been hugely popular: it sold over one million copies, was required reading for Shanghai party cadres in 2011, and was on Xi Jinping’s summer reading list in 2012.⁴² In this way, it is indicative of 1) the widening identity gap between China and the U.S. because it locates Chinese experiences in a China versus the West framework, and 2) the widening identity gap between China and many of its East Asian neighbors since it Occidentalizes many of the region’s countries in the service of pathologizing liberal values as a Western disease.

As we have seen in this essay, many public intellectuals are much clearer about what they do not like—the West and the United States—than they are about China’s alternative to it. Their China dream is closely linked to the American dream, albeit in a negative way that also neglects consideration of experiences from Asia or Europe (let alone from non-territorial sources). Their impact thus may be more negative—to delegitimize the current Western-influenced world

order—than positive in the sense of promoting a coherent post-American world order. This is because China's Occidentalism is not a conclusion drawn from rigorous analysis. Rather, it is the starting point of Chinese exceptionalism: Public intellectuals first decide that they do not like “the West,” and only then go in search of proper Chinese values (which then are presented as China's timeless essential moral code).

The East/West logic of this Occidentalism, in which Chinese authors construct an evil and failing West as the opposite of a virtuous and successful China, inflames Chinese readers' righteous rage and sense of global injustice. While it is laudable to question the economic determinism of the Washington Consensus, it is unfortunate that many Chinese authors replace it with a cultural determinism of “inevitables” and “undeniables” that tell us what Chinese people can—and, more importantly, *cannot*—do. Rather than questioning the rigid essentialism of universal and essentialized identity constructs, many Chinese intellectuals are simply replacing one set of essential values with another, in an effort to justify China's expansionist notion of geopolitical power in East Asia.

ENDNOTES

1. See Jim Cullen, *The American Dream: A Short History of an Idea That Shaped a Nation* (New York: Oxford University Press, 2003); Seymour Martin Lipset, *American Exceptionalism: A Double Edged Sword* (New York: W.W. Norton, 1996).
2. Geoff Dyer and Jamil Anderlini, “China's Lending Hits New Heights,” *Financial Times*, January 17, 2011.
3. I have left out the extreme liberal and nationalist views. For a “market fundamentalist” view see Mao Yushi's work (<http://www.thechinastory.org/intellectuals/mao-yushi-茅于軾/>); for a hypernationalist conspiracy theory see Song Hongbing, *Huobi zhanzheng* (Beijing: Zhongxin chubanshe, 2007).
4. William A. Callahan, *China: The Pessoptimist Nation* (Oxford: Oxford University Press, 2010).
5. Yang cited in John Pomfret, “U.S. Takes a Tougher Tone with China,” *Washington Post*, July 30, 2010; “Don't Take Peaceful Approach for Granted,” *Global Times*, October 25, 2011.
6. Xu Jilin, “Zhongguo xuyao liweidan? jin shinian lai Zhongguo guojiazhu yi sichao zhi pipan,” *Gongshiwang*, January 23, 2011.
7. Zhang Weiwei, *Zhongguo zhenhan: Yige 'wenmingxing guojia' de jueqi* (Beijing: Shiji chubanshe, 2011), p. 55.
8. Chan Koonchung, *Shengshi: Zhongguo, 2013 nian* (Hong Kong: Oxford University Press, 2009); Chan Koonchung, *The Fat Years*, trans. Michael S. Duke, (London: Doubleday, 2011), p. 248.
9. Joshua Cooper Ramo, *The Beijing Consensus* (London: Foreign Policy Centre, May 2004).
10. This chapter's discussion of Lin Yifu, Hu Angang and Pan Wei builds on analysis from Ch. 3 of William A. Callahan, *China Dreams: 20 Visions of the Future* (New York: Oxford University Press, 2013).
11. Evan Osnos, “Boom Doctor,” *The New Yorker*, October 11, 2010, p. 42; Evan Osnos, “Crossing the Water,” *New Yorker blog*, October 4, 2010.
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The View from Japan

Ming Wan

How do the Japanese view the Sino-U.S. national identity gap? Their views are naturally informed by their own national identities and their national identity gaps with China and the United States, while also viewing the Sino-U.S. relationship through the lens of Japan's perceived national interests. They long regarded Japan as a natural bridge between the two countries, briefly feared that the two would have found an affinity at Japan's expense, and recently have found consolation in the notion that irreconcilable differences are driving China and the United States far apart. This progression is traced below before this paper concentrates on the recent Sino-U.S. gap, noting Japan's overlap with its ally, but also observing Japan's loss of interest in learning from the United States.

After the end of the Second World War, the Japanese imagined their country to be a natural bridge between China and the United States, a clear reflection of their national identity as a country both in Asia and the West. Yes, Japanese also took pride as an Asian country that modernized first and, by the 1970s, as the leader in bringing development to Asian countries, giving it a solid basis to think from both perspectives. But in assuming it is entitled to be a bridge between China and the United States, Japan necessarily regards its national identity gap with either China or the United States as much narrower than that between China and the United States. Thus, the Japanese often suggested, explicitly or subtly, that they could help the Americans understand China because they connect with fellow Asians in a deeper and more nuanced fashion than the latter. The Japanese also often lectured the Chinese, not always subtly, about the modern international rules, which they thought they understood better than late-modernizing, non-Japanese Asians.

Apart from that primary identity, there was also growing concern among some Japanese elites since around the 1990s that the Chinese and Americans might be similar to each other in personality traits, communications styles, and a habit for strategic thinking, leaving Japan as the odd man out. This identity anxiety coincided with a fear of "Japan passing" from the United States. But it went deeper to the Japanese insecurity about their place in the world or, more exactly, about Japan as a border culture caught between two universal civilizations that differ in substance but connect in universality.

Japan's relationship with China has worsened sharply since the Chinese fishing boat collision incident in September 2010. The relationship between the United States and China also became more tense around the same time. Not surprisingly, the Japanese closely follow the relationship between China and the United States, the two major "others" for Japan. Much of the Japanese analysis in this regard is based on geopolitical calculations,¹ but national identity has been an important part of the Japanese thought process. There is now a strong Japanese wish to see irreconcilable differences between China and the United States, focusing on political values and political regimes, the status quo power versus the challenger, and international rules and responsibilities.

Underlying that dominant trend in the Japanese view of China as a rising threat and of an enlarging Sino-U.S. national identity gap, there is also a less visible, basically unconscious, undercurrent of Japan adapting to the Chinese system (not as a conscious model to learn from), combining political control and market competition, decisive decision making and social mobility, which is drawn from long intertwined Japan-China exchanges entrenched in Japanese traditions. While Japan has moved closer to the United States strategically, it has ceased to

learn consciously from the United States. Japan's subconscious adaption to the Chinese system does not indicate China's growing influence in world affairs. In the short run at least, it results from competition with China and will lead to greater tensions with Beijing.

It is challenging methodologically to pinpoint the Japanese views of the Sino-U.S. national identity gap. The Japanese do not normally frame their analysis from the angle of national identity gaps. It is harder still to find the Japanese analysis of the Sino-U.S. national identity gap. Even if we find "perfect quotes" of some Japanese using that framework, it does not necessarily mean that mainstream Japanese see things that way. There is not much secondary academic analysis in Japan analyzing this issue. But this chapter builds on my previous research on the national identities in Sino-Japanese relations, particularly as a participant in several related research projects led by Gilbert Rozman, which has produced some of the best theoretical and empirical research in this research area. Furthermore, based on observation and research conducted as a visiting professor in Japan from August 2010 to August 2012, I discerned that national identities matter even more now than before in Japan. More than casual observation, I anchor my analysis in empirical research, drawing from reading newspapers and weeklies, viewing television programs, analyzing Japanese books and opinion polls, and partaking of conversations and interviews. The Internet is, arguably, the most fertile ground for an identity-based assessment of growing Japanese tensions with China. While I do think that the extreme views often found there are partly shared and largely tolerated by mainstream thinkers, this chapter does not focus on them. The aim is a more mainstream perspective.

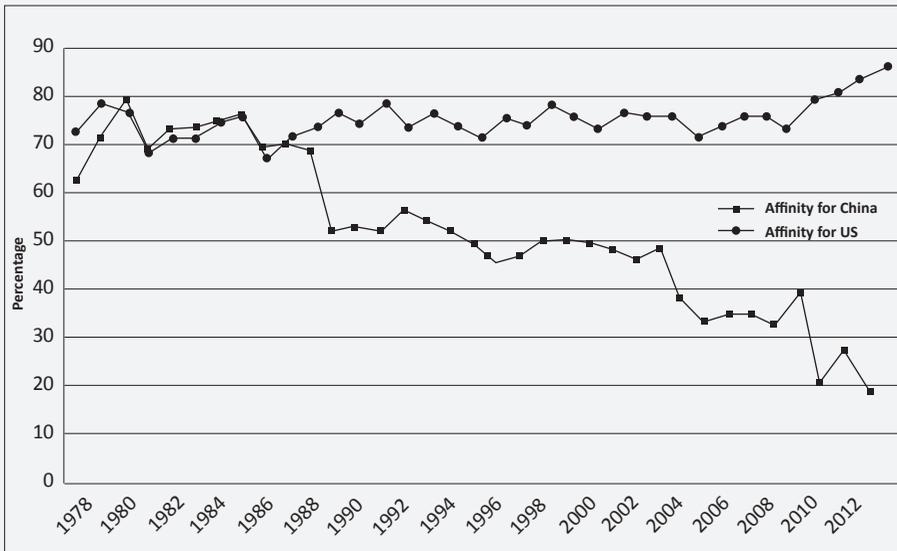
This chapter follows in chronological order: 1) the Japanese view of the Sino-U.S. national identity gaps through the 2000s;² 2) diverse current Japanese views of the Sino-U.S. national identity gap; and 3) a deeper look at Japanese national identity and its historical trajectory, showing tension with conscious thinking about relations with the United States vis-à-vis China. A fourth section presents the conclusions from this analysis.

THE JAPANESE VIEW OF THE SINO-U.S. IDENTITY GAP THROUGH THE 2000S

To gauge the Japanese views of the Sino-U.S. national identity gap, one wishes for tracking polls with a question such as: "Do you think China and the United States are similar or different and why?" One can also include control questions to ask about views of the degree of similarity of the Japanese to the Chinese or the Americans. No such data exist, as far as I know. However, we can make some inferences from existing polls. Since 1978, the prime minister's office has asked the public about its sense of affinity with some countries viewed as important for Japan. Figure 1 shows that the Japanese now feel much closer to the United States than to China, with 84.5 percent feeling close to the former and 18.0 percent to the latter in 2012.

One way to interpret the trends depicted is that the wider "sensitive difference" perceived with the Chinese indicates a growing national identity gap. Sensitive difference is not substantive difference. The Japanese assessment of China was simply too rosy in the late 1970s when that country had just emerged from the disastrous Cultural Revolution. It is actually striking that the Japanese felt the same way about China and the United States in the 1980s, leaving other countries in the dust. The Japanese perception of the sensitive difference with the Chinese adjusted to the substantive difference in the 1990s, but it is, arguably, overshooting in the

Figure 1. Japanese Affinity for China Versus the United States (1978-2012)



negative direction at present. It is not clear whether the Japanese affinity results from a sense of similarity with the Americans or a sense of finding the United States trustworthy even if it is different culturally. But we readily observe how conservatives (dominating in the Japanese system) and progressive forces (weakening in their appeal) both have something to like about the United States and plenty of things to dislike about China, national security for the former and human rights and democracy for the latter.

The prime minister’s office polls do not ask the Japanese about their view of the Sino-U.S. national identity gap. National identities are deeper than simply a sense of like or dislike. One may dislike one’s twin brother too. The Japanese national identities are complex, conflicting with each other and evolving due to the internal logic of these identities and to changes in the external environment.³ To see through the fog, I discuss two prominent identity-driven orientations, namely Japan as a bridge between China and the United States and Japan as an outlier from both China and the United States.

For much of the postwar era, the Japanese felt strongly that Japan could serve as a bridge between China and the United States. This orientation was convenient in both international relations and domestic politics. Who does not want to be a bridge? Using network analysis in vogue at present, we can see why one wants to be a bridge or a hub, which gives a competitive advantage over those not situated as favorably. A bridge was a good compromise in Japan’s contentious domestic context, with everyone seeing some merits in such an orientation. With the United States, the Japanese often suggested that they could help the Americans understand China, which resulted from a national identity that knew fellow Asians better. Such sentiment was ever present in the Japanese analysis of American policies in Asia. Sometimes, it came up in intergovernmental talks with U.S. officials. Citing just one example, at a bilateral trade and economic cooperation talk held in Kyoto in July 1966, Fujiyama Aiichiro, the director general of the Economic Planning Agency, criticized America’s Vietnam policy, reasoning that political

instability results from thinking only about democratic ideals and suggesting that Asian history is different from that of the United States and Europe. U.S. Secretary of State Dean Rusk responded sarcastically that he could not understand why only Asians can understand Asians.⁴

The Americans rightly assumed that they could understand China on their own. In fact, the experience of the Second World War and what happened before shows that the Japanese understanding of China was seriously deficient while many Americans, at least, had a better grasp. The same may be true today. The Americans have extensive direct exchange with the Chinese leaders. There are also deep people-to-people exchanges. As an immigrant country, the United States has an expanding Asian American community that contributes to American understanding. When it comes to China, the United States has educated excellent China experts with language proficiency and extensive experience on the ground. And a large community of China-born scholars in the United States also contributes to the English language knowledge pool about China.

Another challenge for Japan to serve as a bridge was that Japan was not located in a “neutral” location in East Asian international relations. Japan was a close ally of the United States, the superpower that has military bases in Japan, and was used as a crucial location for supporting the American war efforts in Korea and Vietnam. Thus, there was much illusion in thinking of Japan as serving as a bridge. In foreign policy practice, other Asian countries and the United States did not use Japan as a bridge. The United States and China maintained some contact in Warsaw, and Rumania and Pakistan served as the messengers to 1972. Vietnam negotiated with the United States in Paris, not Tokyo. That Japan sustained a myth about its special role should not be seen as unusual, but it serves as a vital clue about how national identity has shaped Japan’s foreign policy orientation.

Imagining Japan serving as a bridge is a well-intentioned ideal for connecting the other two countries in a positive fashion. This national identity-driven orientation matters in diplomatic practice as well. While Japan’s opinion of China began to decline sharply after June 4, 1989, its self-consciousness about becoming a bridge between China and the United States reached a peak in the early 1990s.⁵ Whether China was violating human rights was not a serious concern for many Japanese as long as China was viewed as on good terms with their country. In this period, awareness of a widening Sino-U.S. identity gap amid troubled relations also emboldened Japanese to foresee a rare opportunity.

With difficulties in their relationship with China and realization of the degree of economic problems the country faced, the Japanese felt increasingly insecure, which was reflected in a new assessment of the relationship between China and the United States. In the 1990s, there was overwhelming concern expressed in public or private conversations that the United States now viewed China as more important than Japan, thus bypassing Tokyo. Japan, in stages, became far more concerned about making sure the United States was on its side than about bridging the gap between China and the United States.

One Japanese concern that came up often, particularly in private conversations, was the observation that the Chinese are more similar to the Westerners in some key personality traits such as direct, forceful expression of opinions and a natural habit for thinking strategically. The Japanese were also concerned that the Chinese government was manipulating the Americans to

marginalize Japan. The fact that Chinese President Jiang Zemin paid tribute to the United States at Pearl Harbor during his state visit in October 1997 convinced many Japanese of the Chinese plot, which partly explained the difficulties Jiang would face during his later visit to Japan. Yet, as the visit showed, China bears much of the responsibility for shifting away from reassuring Japan to the sort of posture Jiang displayed in his 1998 visit, which served to reduce Japanese trust.

The Japanese sense of insecurity partly resulted from a period of intense American criticism of Japan as different from the Western democracies. That experience helps to explain why Japanese views of some Sino-U.S. disputes were not unsympathetic to China as late as the 2000s. For example, Japanese analysts often saw the U.S. critique of unfair Chinese trading practices as rejection of “*ishitsusei*” [heterogeneity], similar to American arguments against Japan in earlier years. Unlike the United States, Japan had mostly enjoyed trade surpluses with China if one views Japan’s exports to Hong Kong as largely transit trade to China. Japan’s trade surpluses against the United States decreased through its investment in China and the formation of East Asian production networks.

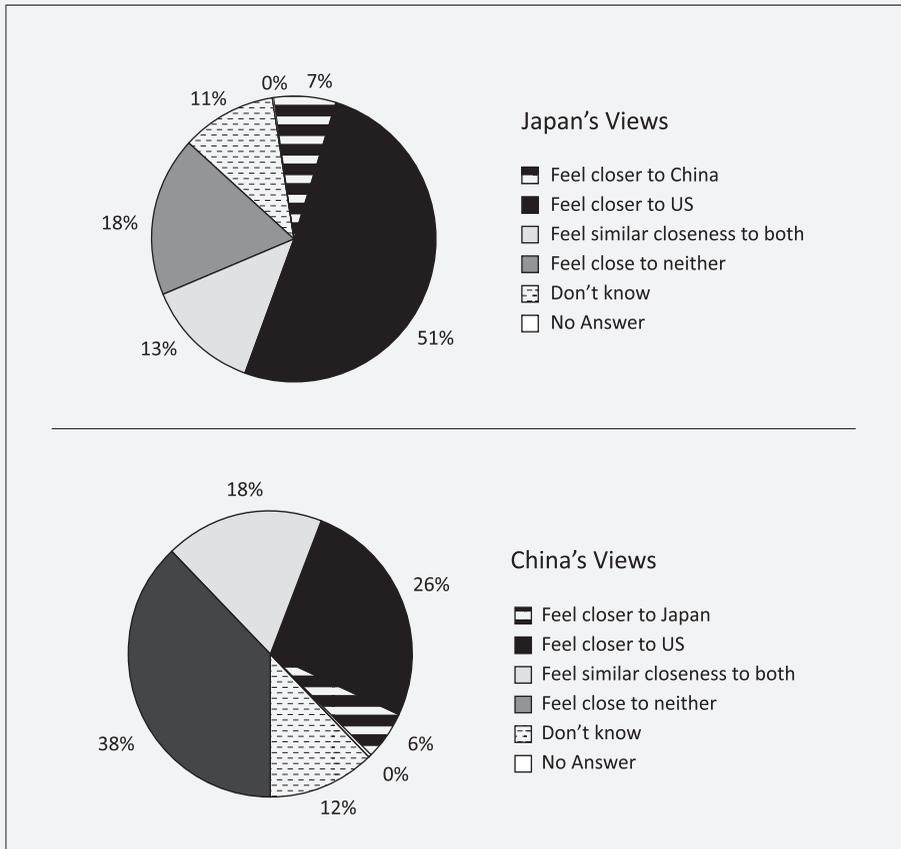
CURRENT JAPANESE VIEWS OF THE SINO-U.S. IDENTITY GAP

Sino-Japanese relations experienced a sharp decline in late 2010, crucially in the aftermath of the September fishing boat collision, reflected in the opinion polls in Figure 1.⁶ With another round of heightened tension after the Noda government purchased three disputed Senkaku islands (Diaoyudao for China or Tiaoyutai for Taiwan) from a Japanese landowner in early September 2012, Japanese views of China worsened still. Increasingly aware of the Chinese discourse on Japan with a widening identity gap, the Japanese public feels more and more alienated from China. By contrast, views of the United States improved further with America’s quick and massive disaster relief efforts in Operation Tomodachi. Figure 2 shows that contrast more clearly.

The Genron polls, which started only in 2005, offer a more direct comparison of Japanese views toward China versus the United States than the prime minister’s office polls used in Figure 1. They asked how close Japanese and Chinese feel toward the other country versus the United States for the first time in 2012, revealing that the Japanese overwhelmingly feel closer to the United States (51 percent) than to China (7 percent). By contrast, the Chinese polled also feel closer to the United States (26 percent) than to Japan (6 percent), but a larger share likes neither (38 percent). The United States is in a favorable position since both the Japanese and Chinese like it better than their neighbor.

The Genron polls do not ask the Japanese about their assessment of how close the Chinese and Americans feel toward each other relative to Japan. But they contain some interesting information to help us understand the Japanese view of the Sino-U.S. national identity gap. In particular, the polls ask why the polled feel close or not close to China. Not surprisingly, a main reason for the Japanese not to like China relates to the territorial dispute, which a majority of Japanese acknowledge exists, in contrast to the government position. The Japanese are also concerned about China competing for natural resources in a self-centered fashion and about China’s rising military power. These geopolitical and geoeconomic calculations are not divorced from national identity tension. In particular, as Japan’s recent territorial tension with all its neighbors shows, how one understands the

Figure 2. Genron Polls



Source: Genron, accessed on August 8, 2012, <http://www.genron-npo.net/world/genre/cat119/2012-a.html>

past has much to do with geopolitics in East Asia. The Genron polls show that 44 percent of the polled in 2012 view Chinese criticism of Japan's past as a key reason for not liking China while only 4.9 percent cite the past war itself as the reason. By contrast, the Chinese polled overwhelmingly (78.6 percent) cite Japan's past aggression as the main reason for not liking Japan. Thus, the Chinese view the dispute over Diaoyudao as a continuation of Japan's past aggression against China while the Japanese view China as showing interest in the Senkakus only with the news of rich oil deposits in the region in the 1970s. More directly, a significant portion of the polled cite more explicit identity reasons for disliking China, with 48.3 percent seeing China as not following the international rules and 26.5 percent citing China's different political system. To add to the identity gap with the political system at issue, 67.9 percent of the Japanese view China as a socialist, communist country. On the flip side, only 15.6 percent of the Chinese view Japan as a democratic country, while 46.2 percent assess it as militaristic.

Building on this relevant statistical information, I examine how the Japanese view the actual events and trends between China and the United States based on analysis of

Japanese television programs, newspapers, and magazines as well as talks with scholars and officials. There have been some major events in East Asian international relations such as the American “pivot” in the Pacific, high-profile American official visits to the region, and military exercises. A Sino-U.S. rivalry in the Pacific is intensifying, while the two countries continue to search for strategic cooperation over a broad range of issues.

The Japanese media analyses reflect Japan’s specific interests, mostly from either a geopolitical or geoeconomic angle. Similar to American coverage, *Asahi shimbun* focused on the Chinese yuan exchange issue when covering the meeting between Obama and Wen Jiabao in New York on September 23, 2010.⁷ Unlike past coverage, there is less concern about Japan passing based on the assessment that the United States needs Japan more as it has declined relative to China and faces China’s growing challenge.

Japanese no longer worry much about Sino-U.S. tension being negative for Japan. Rather, they seem to prefer greater tension, consciously or unconsciously aiming to shape Sino-U.S. interaction, as in letting their own disputes with China drive the Sino-U.S. bilateral relationship, forcing the United States to take Japan’s side. The Japan Institute of International Affairs (JIIA), for example, urged the United States not to “assume a neutral stance regarding territorial rights” to the Senkakus.⁸ The Japanese had a high regard for former Secretary of State Hillary Clinton, particularly for her pro-active policy toward Asia. The Japanese media closely covered her attendance at the ASEAN Regional Forum (ARF) on July 12, 2012. The Japanese shared concerns with some ASEAN countries and appeared to be disappointed that, on this occasion, Clinton was restrained. *Asahi* was disappointed, as were many in the United States, that there was no direct confrontation and ASEAN could not agree on a declaration on China due to internal division and China’s influence.⁹

As Sino-Japanese disputes have gone multilateral, public exchanges to win support for one’s supposedly reasonable positions have intensified, while making the other side look bad. The Chinese government ran ads in mainstream Western media first. The Japanese also beefed up their campaigns after privately sounding the alarm to American officials and analysts about a rising China well before the fishing boat incident. It was in Japan’s interest to make sure that the United States regarded China with ample suspicion, and well-placed Japanese strove to reshape the American view of China.

With bilateral tension so much more intense and so much more open, there is a greater push to make the Americans aware of their differences from the Chinese. As an extreme example of some Japanese appealing directly to the Americans and seeking to frame U.S.-China relations in good versus evil terms, Okawa Ryuho, the founder of the Happy Science Group, purchased a one-page ad in *The Washington Post* to urge Obama and the United States to stand together with the Japanese and fight against “China’s desire for expansion and world domination.” He reasoned that god-loving America and Japan are natural allies against atheist China and North Korea.¹⁰ However distorted this assessment, given the much larger number of Christians in China than in Japan and the shared Buddhist tradition in these two states,¹¹ national identity involves imagination that may have a weak factual basis. The imagination of the Japanese nation as continuously militaristic by many Chinese, as revealed in the above Genron polls, is a prime example.

If we look deeper, we find a complex Japanese identity of seeing the United States as maintaining the international rules while China is challenging them. However true this is, it is also a matter of national identity when a typical Japanese analyst talks about China not respecting the existing international rules but finds it difficult to define these rules or give concrete examples of violations, taking for granted that China is doing so.

The Japanese now focus more on differences in political regimes. A functioning democracy, Japan spawns a genuine value gap with China.¹² In particular, the Chinese government's anger over Liu Xiaobo's winning of the Nobel Peace Prize in 2010 also received much Japanese media attention. Similarly, blind Chinese activist Chen Guangcheng's dramatic escape from house arrest to the U.S. embassy in Beijing in April 2012 was covered in great detail in the Japanese media.

Since Japanese do not think they bear any responsibility for worsening relations, one way to explain them is to argue that an authoritarian regime in China is the problem. There is no question that lack of democracy has created huge problems for Chinese domestic politics and foreign policy, including its relations with Japan, but national identity distorts the discourse. For example, Vietnam, similar to China in political regime, is portrayed positively in the Japanese media because it is viewed as a natural ally against China. It is striking that Japanese media largely portrayed Abe's visit in January 2013 to Vietnam, Thailand, and Indonesia as showcasing his value diplomacy with countries that share the values of freedom and democracy to check communist China.¹³

Some Japanese also imagine a Japanese system more democratic and open than it actually is. Similar events are narrated differently. As an example, *Asahi shimbun* noted on July 30, 2012 that Japan's ongoing anti-nuclear demonstrations were orderly in contrast to the Taisho period in Japan's past and to the Chinese demonstrations against the Japanese firm Oji's waste processing plan, highlighting the difference between a mature democracy and a non-democratic China.¹⁴ However, while *Asahi shimbun* put the latest anti-nuclear demonstration on the front page, it had earlier put a major anti-nuclear demonstration on the back page while making rising eel prices a feature story.¹⁵ There was an even more violent anti-Japanese firm demonstration in India, with two Japanese nationals injured and one Indian employee killed, but the Japanese media chose not to highlight that story, unlike its extensive coverage of a Chinese demonstration against a Japanese firm in China. China is the other and India is not. Rivalry rather than democracy is driving Japanese thinking.

TWISTS IN JAPANESE NATIONAL IDENTITY

While Japan's opinion of China has sunk ever lower and its affinity with the United States remains high, one should also note that Japanese identities are complex and evolve in a way not necessarily consistent with expressed views. This is evident in two twists in identity related to the United States and China. First, Japan has turned away from Americanization since around the mid 2000s due to a growing inward-looking tendency. Second, some reforming Japanese politicians seek, unconsciously, to adapt elements of the Chinese system as if they are more in keeping with Japan's aims.

Growing tension with China and closer security cooperation with the United States do not necessarily mean a narrower national identity gap with the United States. Politicians with such strong right wing views as Ishihara Shintaro are politically active and influential when they would remain on the fringe in other advanced democracies. Ishihara was a highly popular mayor of Japan's capital city from 1999. He stepped down at the end of October 2012 to form a new national political party, which then merged with the Japan Restoration Party founded by a conservative populist politician Hashimoto Toru, the mayor of the City of Osaka. Ishihara now leads the Japan Restoration Party, which emerged as a close third in the Lower House elections held on December 16, 2012. Provocateurs, who stir up disputes and force issues on the national government that exacerbate disputes with other countries, have had a notorious history in recent decades.

The Japanese ultranationalists continue to fight the Second World War by whitewashing history. They were initially more angry at the United States than any other country. It long has made them feel humiliated and agitated. Ishihara, who in 1989 co-authored the famous book *Japan that Can Say No*, views Japan as a "mistress" of the United States, the cause of an extreme sense of national shame.¹⁶ Over time, though, Japanese nationalists have turned their anger against North Korea and China while quietly complaining about the United States with much less frequency. In the interview cited above, Ishihara mainly attacked China while observing that "our master is now on the decline—he is old and losing his physical strength."

The Japanese ultranationalists have now warmed up to the United States mainly due to their strong dislike of China. They have an exaggerated sense of national survival, now largely framed as coming from the China threat. Ishihara announced his plan to purchase the Senkakus while visiting the United States in April 2012. To make that connection even more explicit, the Tokyo Metropolitan Government purchased an ad in the *Wall Street Journal* on July 27, 2012 to appeal directly for American support for its plan to purchase the Senkakus. The ad warned darkly that "failure to support the Asian nations confronting China would result in the United States losing the entire Pacific Ocean."¹⁷ Ishihara and those who share his worldview want the United States to back up Japan hundred percent over narrowly defined issues such as territorial disputes.

By picking history fights, Japanese conservatives enlarge the national identity gap with the United States. Due to the controversy over a comfort woman memorial in New Jersey in which Japanese diplomats reportedly protested to local officials, the movement is now spreading to the rest of the country. Glendale, California marked Korean Comfort Women Day in early August 2012.¹⁸ American public opinion as reflected in mainstream media outlets generally views Japan as turning conservative and has reservations about its new prime minister. For example, the Abe cabinet launched on December 26, 2012 was assessed by *The Economist* as one of "radical nationalists."¹⁹ Its editors opined that while the United States should support Japan when China is aggressive, that support "should not extend to rewriting history or provoking China (let alone South Korea)."²⁰

As a more tolerant democracy, the United States has been more successful in handling national identity gaps. Thus, the developments discussed above will do little to dampen security cooperation, but they do show the limits of nationalist manipulation of messages in the United States. Moreover, if Japan worsens relations with neighboring countries due to

its leaders' revisionist views of history, that would complicate American national interests in the region. As Glen Fukushima noted, while Abe is a strong pro-American leader and intends to strengthen the alliance, "his revisionist views of history and controversial views of Asia could lead him to speak and act in ways that exacerbate tensions with neighboring countries, especially China and South Korea."²¹

More broadly, the Japanese, particularly the young, are becoming more inward-looking, which reflects a greater degree of psychological distancing with the outside world. It is noted both inside and outside Japan that Japanese young people are becoming less inclined to go abroad to study, compared to other Asian countries, particularly South Korea and China. There are no incentives for them to go abroad when competition for jobs at home is becoming so time consuming and network-dependent. But there is also an underlying identity shift. Many find it more comfortable staying at home than dealing with difficult foreign customs. This shift has an impact on the Japanese sense of identity and will become even more pronounced when the currently young take center stage.

On the elite level, there is much confusion about Japanese national identities. As Rozman noted, for Japanese, "the post-Cold War era offered tantalizing glimpses of breakthroughs in national identity, but these were increasingly submerged in bitter disappointments ... The search for new clarity about identity has led to dead ends, as those who favor revisionism centered on the war (*sensoron*) have won a following but no prospect of political consensus and those who favor the idealism of the East Asian community have found a region in turmoil under China's unwelcome quest for leadership."²² Some Japanese still search for a unique Japanese identity that does not derive from anti-American or anti-Chinese feelings,²³ but growing nationalism is more based on fear than hope, particularly about a rising China.

Japan is not unique in facing identity confusion, particularly with globalization and modern communication technologies. But the Japanese sense of anxiety is arguably among the strongest in the world for the simple fact that it is the second or third largest economy in the world but feels culturally separate.²⁴ Japan is still torn between the East and the West. By contrast, the Chinese often simply assume that they are the East and have fewer qualms in competing or integrating with the West at the same time. South Koreans arguably are more emphatic of their identity uniqueness than the Japanese at present, but they are also charging outward to the West and East, carving out a large economic and cultural space in Asia and the world.

Mainstream Japanese politics have become increasingly conservative, as defined in the Japanese context. Some bravely seek a synthesis. As an example, the then-ruling DPJ came up with a draft of its party program, revealed to the leadership on August 7, 2012. It emphasized that "with the imperial system as foundation," Japan should further polish its unique features that have resulted from integration and development of cultures of "ancient and modern, the East and the West" [*kokon tōzai*].²⁵ But as the DPJ is formed of different ideological stocks, there was immediate dissent expressed against such a conservative view of history.²⁶ The December 2012 Lower House elections revealed a clear trend of parties moving to the right. Abe Shinzo, the party chief of the LDP, pushed a strong conservative agenda during the election campaign, mindful of an even more

conservative Japan Restoration Party. The three conservative parties won 405 seats in the 480-seat Lower House, with some other parties being conservative as well.

However difficult it is to draw a straight line between an expressed view and a policy outcome, we observe a continuous emphasis on Japan having unique features that are different from both the East and the West and on the centrality of those features to the way Japan must act. That partly explains a degree of uncompromising, fundamentalist thinking, particularly when it comes to Japan's disputes with other countries.

Japan is not looking at the United States or the West for inspiration right now except in the security arena.²⁷ Indeed, some of the earlier "Americanizing efforts" by reformers such as Koizumi Junichiro have been blamed for enlarging the wealth gap and threatening social stability in the country. The electoral reform and creation of a two-party system modeled after the United States and Great Britain is also viewed as only creating political paralysis. Japanese thinking in this regard partly reflects blaming others for reforms that were not carried out, but national identity plays a crucial role in these reflections that perceive Americanization as threatening Japan's unique qualities. Some remain critical of the United States as greedy capitalist in contrast to a harmonious Japan.

The Japanese who advocate reform to deal with Japan's supposed national crisis look up to the Meiji heroes. The American Occupation that has left a strong institutional legacy is something they would rather forget. It is striking how difficult it is to find any museums dedicated to the American Occupation in a country where everything seems to be memorialized. Moreover, as some Japanese thinkers note, the Meiji Restoration also represented partially a move towards the Chinese system.²⁸ Following the China study school founded by Naito Konan (1866-1934), they argued that Song China was the first true modernizing country with a secular state, a merit-based selection system for officials, and a competitive market economy. In their view, Tokugawa Japan took a different path than China, but Japan came to represent the Chinese system more through the Meiji Restoration, which is better translated as "rejuvenation" in English. They point out that rising political stars such as Hashimoto Toru represent an unconscious attempt to complete the transformation of the Japanese state begun in the Meiji era. While the "sinicization" argument is still a marginal academic view in a country that strongly dislikes China at present, it illustrates the possibilities in imagining national identity made possible because of the long Sino-Japanese interaction.

Watching Hashimoto almost daily on Japanese television suggested that while he is one of a few Japanese leaders capable of arousing the public, he also has the potential to be a Chinese style strong leader, which may be reason to be on guard. The seemingly invincible Hashimoto began to stumble in late 2012. The December 2012 Lower House election restored power to the LDP that had not really changed. Opinion polls now show the LDP as the most popular party, far ahead of Hashimoto's Japan Restoration Party. Abe's vision of "beautiful Japan" is winning the day. At the same time, one should watch an undercurrent of Japanese adapting to the Chinese system, which does not mean integration into the Chinese sphere of influence. In fact, those who are subconsciously adapting to the Chinese system are more likely to clash with the Chinese state.

CONCLUSION

With growing concerns about a rising China's attitude toward Japan, the Japanese have an increasingly lower sense of affinity with China and a higher level of affinity with the United States. The United States has an almost insurmountable advantage over China at this point. Among other reasons, as a far more tolerant democracy, it has given the Japanese a significant space for national identity discussions. Even in historical memory, the United States respects the Japanese, with the American ambassador's attendance at the atomic bombing memorials in Hiroshima and Nagasaki as a case in point. The United States does not confront the Japanese historical narrative even though the United States has its own convictions about the "Good War." The American government also does not take on Japanese nationalists or fight history diplomatically. By contrast, China's national identity-based legitimation and how it handles the history issue on the diplomatic level clash head on with the Japanese national identity process.

The Japanese are viewing Sino-U.S. relations from a multi-level complex of national interests and identities. There is now a greater mismatch between the distribution of interests, superficial affinity, and deeper national identity anxieties. Japan has a strong symmetry of strategic interests with the United States and wants the United States to side more strongly with it to manage a rising China. It welcomes and thinks it sees an enlarging national identity gap between China and the United States. At the same time, Japan continues to have a strong economic interest to leverage a rising China's rapidly expanding market, and it is unconsciously adapting to the Chinese system rather than copying the American system at present. Rather than choosing sides in this perceived clash of national identities between China and the United States, it is widening the gap with the United States on matters at the core of its identity even if that seems inconsistent with closer security ties and may be overlooked as the gap with China widens further.

ENDNOTES

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14. *Asahi shimbun*, July 30, 2012, p. 1.
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The View from South Korea

See-Won Byun

The Korean Peninsula remains at the center of national identity debates in Northeast Asia.¹ Sino-South Korean debates surfaced saliently in 2010 during a period of rising regional concerns over Chinese “assertiveness.”² These debates also revealed the centrality of the United States in Sino-ROK identity politics,³ especially after the global financial crisis, which according to some Chinese scholars marked the end of post-Cold War U.S. unipolarity.⁴ Perceptions of a potential widening of U.S.-China differences have prompted new efforts to enhance South Korea’s diplomatic capacities as a middle power, reflecting a dynamic interaction between Sino-ROK identity debates and views of the Sino-U.S. identity gap.

Two factors reinforce the intensity of South Korean identity perceptions in relation to China. First, China’s rise is a primary factor conditioning South Korean visions of Korea’s strategic future.⁵ In the Sino-ROK context, China’s rise reinforces South Korean sensitivities to a history of hierarchical relations.⁶ In the U.S.-China context, the structural impact of China’s rise arouses South Korea’s vulnerabilities to great-power rivalries on the peninsula. The growing asymmetry in Korea’s contemporary relationship with a rising China challenges South Korea’s identity as an advanced economy and democracy seeking to play a global leadership role.

A second factor amplifying the Sino-ROK identity debate is North Korea, viewed as a “little brother” by both South Koreans and Chinese. The North Korea question relates fundamentally to the national identity of a reunified Korea, and underlies the persistent historical and territorial disputes characterizing the Sino-South Korean relationship.⁷ In ROK domestic politics, North Korea policy remains the dividing point between conservatives and progressives, which extends to divisive views toward China and the United States.⁸

Uncertainty over China’s rise and North Korea’s future exacerbates South Korea’s key dilemma of reconciling conflicting identities as a U.S. military ally and economic partner of China.⁹ The question of “China or the United States?” dominated South Korean strategic thinking from the beginning of the Lee Myung-bak administration in 2008.¹⁰ South Korea’s orientation between its security alliance with the United States and economic partnership with China more broadly influences its position between the U.S. alliance system in Asia and a China-centered regional economic order.¹¹

Park Geun-hye’s election in 2012 raised hopes for improving Sino-South Korean relations after a period of strain under Lee, whose hard-line DPRK policy and emphasis on the U.S.-ROK alliance drew harsh criticism among Chinese as a source of regional tension. Although Park’s election extends Seoul’s conservative rule for another five years, her decision to send her first team of special envoys to China in January 2013 suggested an effort to narrow the differences with Beijing that have emerged after twenty years of normalization.

This chapter assesses South Korean identity debates on China and their implications for the United States, with a focus on trends since 2010 and prospects under the new leaderships. It addresses three main issues. First, I discuss the status of the Sino-ROK relationship at the end of the Lee administration in the context of the evolution of South Korean views of China since normalization in 1992. Second, I examine South Korea’s identity gap with China across different aspects of identity, including historical and cultural identity, human rights and political identity, territorial issues, North Korea and

Korean unification, and economic identity. Third, I consider the role of the United States in Sino-ROK identity debates. To conclude, I identify factors likely to frame the identity debate under the new leaderships.

SINO-SOUTH KOREAN RELATIONS AFTER TWENTY YEARS OF NORMALIZATION

Foreign policy issues under South Korea's previous conservative administrations—including Roh Tae-woo (1988-1993)'s engagement with Russia and China and Kim Young-sam (1993-1998)'s management of the first North Korean nuclear crisis—received relatively little public attention, playing an increasingly important role in South Korean identity politics over the course of democratic consolidation.¹² Under progressive rule, South Korea's alliance relationship with the United States emerged as a major issue in national identity debates at the end of the Kim Dae-jung administration (1998-2003).¹³ South Korean identity was shaped by nationalist discourse under Roh Moo-hyun (2003-2008), producing anti-American sentiment that constrained the alliance.¹⁴

Lee Myung-bak's inauguration in 2008 ended ten years of progressive rule and refocused Seoul's diplomatic priority of sunshine toward North Korea. Although Lee and Hu Jintao upgraded the China-ROK relationship to a "strategic cooperative partnership," Lee's reconsolidation of the U.S.-ROK alliance was a persistent strain on this partnership. Frictions over DPRK aggression overlapped with a series of Chinese disputes with other regional players in 2009-2010, a period of marked deterioration in China's overall diplomatic relations.¹⁵ Subdued commemorations of the 20th anniversary of Sino-ROK normalization in 2012 reflected mutual recognition of the latent irritants in the bilateral partnership. Despite anticipation of reconciling differences in the post-Kim Jong-il era, Lee's two summits with Hu Jintao in 2012 were held against the pressures of public protests in South Korea, where the media described a "far from amicable" mood under China's "darkening shadow."¹⁶

A joint report by the Asan Institute for Policy Studies, Chicago Council on Global Affairs, and Korea Economic Institute at the end of 2012 showed that just over half of South Koreans viewed China as a partner (53.5 percent) rather than a rival (46.5 percent), with an overwhelming 94 percent expressing support for the U.S.-ROK alliance.¹⁷ One compilation of South Korean public opinion data from 1997 to 2012 suggests a decline in favorable attitudes toward China and an increase in favorable attitudes toward the United States since 2005.¹⁸ According to the East Asia Institute, favorable Chinese attitudes toward South Korea also declined from 73 percent in 2006 to 53 percent in 2011, suggesting a widening of public discord between China and South Korea.¹⁹ South Korean public animosity toward China raised concerns in Beijing in 2010, when Wen Jiabao in talks with Lee pointed to a "misunderstanding about China after the Cheonan incident."²⁰ The Chinese foreign ministry criticized South Korean "radical behavior" in response to protests against China in 2011,²¹ while the *Global Times* released a survey on South Korea's "aggressive public opinion."²² North Korea's third nuclear test in 2013 poses an early challenge to coordinating DPRK policies and restoring public attitudes under the new leaderships.

THE SINO-SOUTH KOREAN IDENTITY GAP

While the twenty-year Sino-ROK relationship is the newest in Northeast Asia, the identity gap stems from Korea's historical relationship with China as a dependent peripheral state from the 13th to 19th centuries. China's place in South Korean identity continues to evolve. While South Korea's ideological gaps with China in the 1980s were embodied in discourses on "Communist China" or "Red China," over the course of China's economic growth and opening, South Koreans have focused increasingly on the nature of Chinese intentions as a rising power.²³

Two images of China in the post-Cold War era emerged in South Korean debates in 2010.²⁴ The first view sees China as an "aggressive" power seeking to expand military, political, and economic influence on the peninsula. From this perspective, Chinese behavior on the peninsula in the Lee era demonstrated "Chinese confidence resulting from its rise."²⁵ In the second view, as a global economic power China is likely to rise as a "responsible great power." China's joining the World Trade Organization (WTO) in 2001, cooperating on the war on terror after 9/11, and mediating the Six-Party Talks from 2003 contributed to positive views of China as an economic opportunity and responsible stakeholder. Responses to its behavior on the peninsula since 2009, however, suggest a reassessment of Chinese intentions. South Korea's dual image of China continues to shape assessments of the Sino-ROK identity gap, which has widened across various dimensions of identity during this period.

Historical and Cultural Identity

Differences over the Sino-Korean historical relationship have a deep impact on South Korean identity in relation to China, reflecting tensions between Korea's historical position as a tributary state and contemporary role on the global stage. The Koguryo history war of 2003-2004 altered South Korean public perceptions of China after a decade of normalization.²⁶ In 2010, concerns over distortions of history resurfaced with China's commemorations of the sixtieth anniversary of the Korean War, which reinforced Sino-ROK ideological gaps as Cold War enemies and elevated China's "lips and teeth" alliance with the North. China's rewriting of history continues to raise suspicions over its long-term intentions on the peninsula, provoking South Korea's sensitivities as a subject of great power competition in Northeast Asia.

South Korea's 2004 verbal agreement with China on Koguryo history does not preclude continued politicization of the issue.²⁷ South Korean analysts have tied China's "nationalization" of history to contemporary sociopolitical needs in the context of China's domestic pluralization, implying a continuously changing Chinese identity and volatile Sino-ROK relationship.²⁸ In summer 2012, claims by China's State Administration of Cultural Heritage extending the eastern end of the Great Wall to Heilongjiang and Jilin provinces drew renewed accusations that Beijing was intruding on Koguryo history for the sake of "national unity."²⁹ After the conclusion of China's ten-year compilation of Qing dynasty history in 2012, the South Korean conservative media attacked its reframing of history as a tool of "historical imperialism."³⁰ From this perspective, China's state-led history projects are designed to "preempt" long-term territorial settlements in the event of Korean unification or North Korean collapse. As one scholar argued at the end of China's

“Northeast Project” in 2007, Sino-ROK history disputes are not about ancient history but current Chinese “hegemonic” threats to regional peace.³¹ In 2009, the Chinese Academy of Social Sciences’ claims on other Korean kingdoms drove similar suspicions over China’s revisionist intentions on the peninsula.³²

During 60th anniversary commemorations of China’s entry into the Korean War in October 2010, Xi Jinping’s references to the war as “a great victory” against “imperialist invaders”³³ ignited another clash over historical interpretations. The ROK Foreign Ministry suggested China’s representation of “an indisputable and historical fact that has been internationally recognized” undermined its global role as a “responsible member of the international community.”³⁴ Xi’s comments countered the “frank” Chinese assessments of the Korean War that became prevalent after Sino-ROK normalization³⁵ and raised early concerns over the strategic orientation of Chinese foreign policy amid political uncertainty in Pyongyang.

Disputes over history in Internet forums indicate evolving national identity debates in both China and South Korea.³⁶ South Korean grievances over Chinese attempts to “steal” history have expanded into broader debates on the ownership of Confucian values, tradition, and other representations of national heritage.³⁷ Beijing’s designation of “Arirang” as part of China’s ethnic Korean culture fueled another wave of public outrage in 2011 attacking the move as a threat to the South Korean cultural ministry’s own “brand image” campaign.³⁸ These debates also surrounded the clashes between Chinese students and South Korean demonstrators during the 2008 Beijing Olympics torch relay in Seoul, which reminded many South Koreans of their own national pride as Olympic hosts twenty years earlier. Like the South Korean case, the Beijing Olympics symbolized China’s global emergence and discarded a history of “humiliation” by foreign invaders. But some Koreans saw the protesting Chinese students as a “shadow of themselves that they’d like to leave behind,” arguing that, unlike the South Korean experience, China’s hosting of the games does not raise hopes for a democratic transition.³⁹

Human Rights and Political Identity

One area of contention that highlights Sino-South Korean gaps in political norms and values despite close economic ties is human rights. China’s handling of DPRK refugees as “illegal economic migrants” emerged as a point of diplomatic dispute during North Korea’s famine and humanitarian crisis in the 1990s, when China resisted intervention by international agencies based on the claim that the issue was a North Korean internal affair.⁴⁰ Beijing pursued a two-track approach after a series of high-profile North Korean defections at foreign diplomatic missions in China in the early 2000s, cracking down on defectors in cases of limited foreign contact and adhering to international legal standards otherwise. ROK government appeals to the UN High Commissioner for Refugees have drawn attention to the direct contradictions between Beijing’s international obligations and bilateral repatriation agreement with Pyongyang.⁴¹

While the DPRK refugee issue subsided in the mid-2000s, it reemerged in two instances in 2012. First, reports of Beijing’s planned repatriation of refugees in February led to U.S. and South Korean protests against China’s “inhumane” behavior and public calls by Lee Myung-bak urging China to follow “international norms.”⁴² As Seoul threatened to raise the issue at the UN Human Rights Council after the breakdown of bilateral consultations, the PRC

foreign ministry spokesperson criticized the South Korean media's tendency to "emotionally play up and politicize the issue."⁴³ South Korea has in the past pursued "quiet diplomacy" to avoid confronting China over human rights, but activists have pushed Seoul to press harder for Chinese cooperation since Kim Jong-il's death, accusing Beijing of supporting Kim Jong-un's repressive assertion of control as new leader.⁴⁴

The second clash over human rights occurred in July 2012 with China's release of four South Korean activists who were detained for assisting DPRK defectors and endangering China's "national security." The activists were released shortly after PRC State Councilor and Public Security Minister Meng Jianzhu's meetings with Lee Myung-bak and other officials in Seoul, the first official visit to South Korea by a Chinese public security minister since normalization.⁴⁵ Political tensions, however, only worsened with claims by prominent rights activist Kim Young-hwan that he had been tortured while under Chinese custody.⁴⁶ Kim's case demonstrated Beijing's cautious behavior in managing high-profile and internationally-publicized cases related to DPRK refugees given the potential legal challenges and costs to China's global image. It also raised domestic debates in South Korea, where lawmakers attacked the foreign ministry's failure to undertake sufficient diplomatic actions against China.⁴⁷ Sino-ROK human rights issues show that norms and values remain an important source of friction that reinforce South Korean impressions of a rising China as a growing challenger to international standards of behavior.

Disputes over Territory and Exclusive Economic Zones

Regional power shifts have raised the danger of territorial competition with China over the past decade.⁴⁸ China's territorial disputes in Asia in 2010 and reaction to U.S.-ROK military exercises sharpened South Korean images of what was widely perceived as growing "assertiveness" in Chinese behavior. Sino-ROK disputes over EEZs and Ieodo/Suyanjiao (Socotra Rock) present potential security challenges.⁴⁹ As seen in contestations over history and culture, territorial sovereignty issues importantly feed into South Korean views of what is Korean or Chinese.

Although both China and South Korea recognize that the Ieodo issue is not a territorial one, Chinese surveillance activities in 2011 drew renewed political attention to the issue since it first emerged in 2006. In response to claims on Ieodo by China's State Oceanic Administration in March 2012, Lee Myung-bak publicly asserted that Ieodo falls "naturally" in South Korea's jurisdiction.⁵⁰ The Society of Ieodo Research has argued that Ieodo is "of great strategic interest considering China's strengthening naval power," citing Beijing's "hardened rhetoric" against U.S.-ROK military drills in surrounding waters.⁵¹ In addition to its strategic implications, the significance of Ieodo in Korean legend has justified its protection for South Koreans.

The Ieodo issue relates to EEZ disputes in the Yellow Sea and East China Sea, a more persistent source of strain that has produced frequent clashes over illegal fishing, including fatal incidents in 2008 and 2010-2012. Seoul and Beijing have failed to reach agreement on the demarcation of EEZs in waters surrounding Ieodo after sixteen rounds of talks since 1996.⁵² Recent clashes in the Yellow Sea have incited public protests and domestic debates in South Korea reinforcing unfavorable views of China. The death of a ROK Coast Guard in December 2011 provoked warnings in the South Korean media that violations of maritime sovereignty undermine China's "national interests and image."⁵³ Domestic criticism has focused more pointedly on the Lee administration's management of these issues, revealing

South Korea's political polarization on China policy. While lawmakers have pressed for tougher measures after Seoul "bowed to Beijing's diplomatic pressure" in a similar fatal incident in 2008,⁵⁴ others have opposed risking the political fallout seen in Sino-Japanese disputes over the Diaoyu/Senkaku Islands.⁵⁵

One issue reflecting South Korea's growing vulnerabilities to Chinese territorial ambitions is the 1909 Gando Treaty, which transferred Japan's territorial rights over what is now the Yanbian Korean Autonomous Prefecture to China. While the National Assembly in 2004 attempted to nullify the treaty, concerns about China's potential response thwarted subsequent efforts. A South Korean editorial in 2009 stressed the long-term significance of islands near the China-Korea border, including the Wiwha and Hwanggeumphyong islands that China and North Korea designated as special joint economic zones in 2010, arguing that "we must never again witness the handing over of our land to China."⁵⁶

North Korea and Korean Unification

China's approach to North Korea and the unification question is a key factor that has shaped perceptions of a rising China as a long-term strategic challenge. Responses to North Korea's 2009 nuclear test and Cheonan and Yeonpyeong attacks in 2010 revealed fundamental gaps in policy preferences.⁵⁷ Chinese restraint at the UN Security Council and promotion of friendship with Pyongyang drove a sharp deterioration in South Korean views of China. Beijing's engagement of North Korea during this period prompted a comprehensive reassessment of the Sino-ROK strategic partnership that cuts across all dimensions of identity.

The expansion in China-DPRK leadership exchanges in 2010 far beyond China-ROK levels reversed Beijing's traditional policy of equidistance and provoked a deep sense of betrayal among South Koreans.⁵⁸ Unification Minister Hyun In-taek urged China to play a "responsible role" when Hu Jintao hosted Kim Jong-il in Beijing in May 2010 three days after meeting Lee Myung-bak in Shanghai.⁵⁹ While TV broadcaster SBS criticized Beijing's "double standard" in dealing with the two Koreas,⁶⁰ other commentators in the media cautioned that the China-ROK partnership "must not be burned in fiery emotion and rhetoric."⁶¹ China's political contacts with the Kim Jong-un leadership since 2012 have affirmed a continued pursuit of friendship in line with the consolidation of the Kim regime.

China's economic ties with a sanctioned North Korea have heightened South Korean perceptions of China's rising relative influence over Pyongyang. China-DPRK trade in 2011 surpassed \$5 billion, more than three times the inter-Korean level.⁶² The launching of the China-DPRK Rason Economic and Trade Zone and Hwanggeumphyong and Wiwha Islands Economic Zone in June 2011 drew much attention in South Korea, as did Beijing's reception of Kim Jong-un's uncle and patron Jang Song-thaek in August 2012 for the joint promotion of the zones. To show "who is running North Korea," the South Korean media released a picture of PRC Ambassador Liu Hongcai accompanying Kim Jong-un and his key supporters at a Pyongyang amusement park in July 2012.⁶³ Such images have revived the 2004 debates on China's intentions to turn North Korea into its "fourth northeast province."⁶⁴ China's official support of peaceful unification remains questioned. An East Asia Institute survey in 2010 showed that 30 percent of respondents identified China as the biggest obstacle to unification after North Korea.⁶⁵ South Korean conservatives in 2011 pointed to a "misconception" of China as "mediator between the two Koreas," criticizing

Beijing's "simultaneous diplomacy" as an attempt to "use closer ties with North Korea as a bargaining chip."⁶⁶ Unification gained increased attention in domestic political debates in 2010 and reflected ambivalence about China's engagement with the North. The Blue House refuted the *Financial Times*' October 2010 interview remarks by Lee urging North Korea to "emulate China's economic model," while denying Seoul's reported concerns about a "belligerent" Pyongyang falling under Beijing's political influence.⁶⁷ The consolidation of China and North Korea's fifty-year friendship has underscored the weaknesses of South Korea's political and security ties with China relative to both the Sino-DPRK alliance and the economic side of the Sino-ROK partnership.

Asymmetric Interdependence and Economic Identity

China's reform and opening since 1978 has presented a major opportunity for South Korea's export-led growth as an Asian power, contributing to a favorable image of China as an economic partner. Despite divergent political systems and security priorities, trade was a driving force for diplomatic normalization in 1992 and remains an important foundation for mutually beneficial cooperation. While South Korea is China's sixth biggest trade partner, China replaced the United States as South Korea's top trade partner in 2002. Bilateral trade reached \$220 billion in 2011, exceeding South Korea's combined trade with the United States and Japan.⁶⁸ Since the 2008 global recession, South Korean assessments of the rapidly expanding economic partnership with China have focused on the growing asymmetry of interdependence and broader strategic implications.

Cooperation with China on the 2010 Shanghai World Expo and 2012 Yeosu Expo demonstrated South Korean efforts to strengthen the economic and cultural relationship. The popularity of the "Korean Wave" in China appeared to wane in the mid-2000s with the impact of history and trade disputes. ROK authorities worked hard to promote South Korea's high-tech industry and popular culture at the Shanghai Expo, where Seoul displayed the second biggest national pavilion after China's. Yet the expansion in cultural exchanges has also raised the intensity of public disputes, as seen in protests during the 2008 Beijing Olympics torch relay in Seoul, the first direct experience of Chinese nationalism for many South Koreans.

The rapid growth in trade and investment has implied an increase in South Korean economic vulnerabilities to China. Trade wars over garlic and kimchi in 2000 and 2005 shifted South Korean attention to the risks of competition with China, while public views of Chinese products deteriorated further with scandals over tainted Chinese imports in 2008.⁶⁹ China's rising economic power has also prompted efforts to enhance South Korean competitiveness in "soft power" through corporate networks and NGOs.⁷⁰

The structural transformation of the bilateral relationship that has accompanied China's shift to high-end industries indicates a growing asymmetry in economic interdependence.⁷¹ Concerns about China's rise as a global economic power appeared in a 2009 Ministry of Strategy and Finance report that cautioned against intensified competition with China in export markets and energy diplomacy.⁷² A Federation of Korean Industries survey in 2010 indicated that South Korea may lose its technology advantages over China within four years in key sectors accounting for over 60 percent of all South Korean exports.⁷³ Such trends were evident in 2010, when China replaced South Korea as the world's top shipbuilding country and biggest market for South Korea's own Hyundai Motors. In July 2012, a Samsung

Securities report warned that China's industrial restructuring over the next decade would enhance Chinese competitiveness against Korean firms rather than present opportunities.⁷⁴

As discussed in Part III of this volume, talks for a China-ROK free trade agreement (FTA) present new opportunities and challenges for bilateral and regional integration. Despite the potential benefits from the FTA, ROK Deputy Trade Minister Choi Seok-young pointed to "significant differences in opinion" after the first round of talks in 2012.⁷⁵ FTA talks through the summer of 2012 incited protests by South Korean farmers voicing concerns over the economic costs and health threats of Chinese agricultural imports. The Korea Institute for International Economic Policy estimates that the annual loss for South Korea's farming industry is almost four times higher than the estimated losses from the Korea-U.S. (KORUS) FTA, which came into force two months before the formal launching of China-ROK trade talks. Prolonged negotiations for the KORUS FTA were a key factor in initial reluctance in pursuing FTA talks with China, reflecting reservations toward closer integration into a China-based regional economic order.

THE UNITED STATES IN THE SINO-SOUTH KOREAN IDENTITY DEBATE

Underlying South Korea's identity gap with China is an acute awareness of its uneasy position between China as its key economic partner and the United States as its military ally.⁷⁶ While U.S.-China identity conflicts became more salient with the increase in regional tensions from 2009, South Korea's reliance on China and the United States for growth and security makes a stable U.S.-China relationship a top priority. Regional reverberations of the 2010 Cheonan incident prompted calls for Seoul to play a "diplomatic mediator" role to minimize the likelihood of a U.S.-China confrontation in the region.⁷⁷ To address a heightened dilemma of maintaining favorable relations with both powers, South Korean experts have argued for shifting Seoul's diplomatic strategy of "hedging" to a focus on strengthening South Korea's global capacities as a "middle" and "normative" power.⁷⁸ This diplomatic reorientation in response to a potential widening of differences between the United States and China underscores the dynamic interaction between Sino-South Korean identity debates and views of the Sino-U.S. identity gap.

Evolving discourse on history shapes South Korean identity as a subject of great power rivalry between China and the United States, shadowing the image of "Global Korea" that Lee Myung-bak actively promoted after his inauguration. Sino-ROK historical contestations also reveal competing views of the peninsula's future that present important implications for U.S. strategic interests in the region.⁷⁹ These issues were raised in a December 2012 U.S. Congressional report on China's role in Korean unification, the drafting of which reportedly led the ROK Foreign Ministry to dispatch experts from the Northeast Asia History Foundation to Washington to consult on China and South Korea's interpretations of Koguryo and Balhae history.⁸⁰ Reactions in the South Korean media suggest continued politicization and volatility of the history issue.⁸¹ Debates on the Korean War similarly morph into questions on U.S. and Chinese interests in the peninsula's strategic future. While Chinese military leaders have firmly opposed "Cold War thinking" on the peninsula in response to the strengthening of the U.S.-ROK alliance, Chinese commemorations of the Korean War's 60th anniversary in 2010 renewed these very ideological gaps.

The Sino-ROK political identity gap sharpens the divide between South Korea's economic partnership with China and alliance with the United States. While differences in political systems and values have not undermined the pursuit of mutual economic interests, disputes over human rights reinforce the gap between China's authoritarian regime and South Korean identity as a democracy. Joint responses of U.S. and South Korean civil society organizations to China's handling of North Korean refugees demonstrate the shared values underlying the U.S.-ROK relationship while drawing attention to China's violation of international norms. At the height of public frustrations over the Cheonan issue in 2010, South Korean commentators contrasted the "double standard" in Chinese behavior against the "deep roots of reciprocity and friendship" in U.S.-ROK relations.⁸² Xi Jinping's assertions in 2010 in support of the new DPRK leadership's goal of "peaceful national unification" appeared to challenge the 2009 U.S.-ROK joint vision statement on "peaceful reunification on the principles of free democracy and a market economy."⁸³

While territorial clashes have heightened perceptions of the traditional security threat posed by a rising China, the DPRK issue is the most important factor that constitutes South Korean identity as a U.S. military ally. U.S.-ROK military exercises against DPRK provocations in 2010 raised voices in Beijing that revealed gaps in regional strategic priorities and undermined views of China as a "responsible stakeholder" and mediator of the Six-Party Talks. China's economic ties with North Korea and challenge to the implementation of UN sanctions have further posed questions about its international image. At the same time, South Korea has also sought to avoid taking sides in a U.S.-China dispute. During ROK Defense Minister Kim Kwang-jin's visit to China in July 2011, People's Liberation Army chief Chen Bingde's public criticisms of U.S. "superpower" behavior raised South Korean anxieties over being caught in a rivalry. The foreign ministry's subsequent affirmations of its neutral position on the South China Sea reflected South Korea's ongoing struggle to balance "alliance solidarity" with the United States and pragmatic cooperation with China.⁸⁴

Controversy over South Korea's Jeju naval base since construction began in 2011 has revealed the salience of China and the U.S. alliance as key divisive questions in ROK domestic politics. While critics suspect the base will primarily serve U.S. regional defense interests and aggravate China, others see the facility as an important development for countering China's rising military presence and protecting ROK maritime interests in the region.⁸⁵ In an August 2011 news editorial, the president of South Korea's Society of Ieodo Research criticized Chinese "imperialistic" behavior in EEZ clashes with Vietnam and argued: "Asia's mistrust of China and fear of Beijing is based on its territorial ambition... China's ambition should be counterbalanced by the United States as a Pacific partner to Asia-Pacific nations."⁸⁶ In response to China's aircraft carrier trials that same month, a Korea National Defense University professor similarly indicated that "Korea can secure military deterrence by reinforcing joint deterrence capacity with the United States."⁸⁷

In contrast to the Sino-ROK security relationship, trade and investment ties with China have helped solidify South Korea's economic identity as an advanced player in the international economy. However, concerns over an increasingly asymmetric relationship with China have increased with China's rise as the world's second biggest economy in 2010 after the United States. Regional trade patterns over the past two decades clearly indicate South

Korea's growing dependence on China, with a shift in relative trade dependence from the United States to China after 2003-2004.⁸⁸ Some analysts see U.S. promotion of the Trans-Pacific Partnership (TPP) FTA as a key driver of China's current pursuit of economic integration with South Korea and Japan.⁸⁹ The China-ROK FTA further supports trilateral FTA efforts with Japan under the CJK framework, which embodies the functional interests that weigh in on South Korean identity perceptions as an Asian power. Such initiatives are decisive factors in South Korea's orientation between China-centered economic regionalism and the U.S.-led alliance system in Asia, and perceptions of national identity in relation to China and the United States.

CONCLUSION: IDENTITY POLITICS UNDER NEW LEADERSHIPS

South Korean debates across various dimensions of national identity reflect competing forces of alignment between China and the United States. Four main factors of Chinese behavior shape South Korean views of national identity. First, China's rise remains the background condition against which South Korea assesses its regional and global position. Chinese claims of historical and territorial sovereignty and cultural "ownership" have fed suspicions about China's long-term intentions on the peninsula as a rising challenger to the United States. China's relationship with North Korea is a second factor that shapes views of China as a strategic challenge, including in post-unification scenarios. Given continued DPRK aggression and stalled inter-Korean relations, China's engagement of the DPRK leadership undermines Seoul's relative influence over Pyongyang in coordination with the United States. Third, commercial ties remain a primary foundation of the Sino-ROK relationship that broadly shapes assessments of identity amid the structural transformation of regional relations. While the prospect of China's growing competitiveness presents new concerns over asymmetric interdependence, economic integration with China through new multilateral initiatives raises questions about South Korea's position within the traditional network of U.S. alliances. Fourth, domestic political reform in China is another variable that influences South Korean views of the potential for narrowing the normative gaps with China relative to the United States.

Park Geun-hye's early prioritization of the China-ROK partnership and North Korea policy in an effort to stabilize regional relations will shape the direction of the identity debate. While economic cooperation with China supports Park's policy priority of revamping South Korea's export-dependent economy, the growing asymmetry of interdependence is likely to intensify unease toward China's leverage in the relationship. Bilateral political disputes with Japan under returning LDP Prime Minister Abe Shinzo further challenge the prospects for economic integration.

While assessments of Chinese foreign policy suggest a continued assertive orientation under the Xi leadership,⁹⁰ renewed DPRK provocations under Kim Jong-un will require close coordination between China and U.S. regional allies. Park raised hopes for reconciling differences with China since her election campaign differentiating her approach to North Korea from Lee's hard-line policy. In her November 2012 *Wall Street Journal* article, she also stressed the importance of a strong U.S.-China partnership for South Korean strategic interests. Park's emphasis on favorable relations with China and potential engagement with North Korea presents possibilities for narrowing the identity gap with China. This, however,

remains contingent on Xi Jinping's approach to North Korea and the U.S.-ROK alliance, the two key points of contention shaping South Korean identity perceptions in relation to China and the United States.

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The View from Russia

Gilbert Rozman

Watching China's surge in assertiveness in 2009-13, Russians face a choice among three types of responses. They can delight in the deterioration in Sino-U.S. relations, as many believe the United States gloated in the 1960s-70s at the troubled Sino-Soviet split, and in the steeper recent downturn in Sino-Japanese relations too, seen as serving Japan right for its hard-line policy to Russia. Alternatively, they can strategize about opportunities for Russia's dream of multipolarity in Asia, opening space for its more active diplomacy separate from China while targeting Japan and South Korea as well as states in Southeast Asia. Finally, they can grow nervous that Russia also will become the target of this assertiveness. One sees signs of all three responses. To ascertain which is ascendant in a country where the debate on China is truncated by government discouragement of criticisms, it is important to delve more deeply into Russia's national identity gaps with China and the United States.

National identity is a popular concept in writings on Russia, but the notion of a national identity gap requires further explanation. Not only do nations construct an identity to satisfy their quest for uniqueness and pride in the world of nations, they interpret their identity in relation to one or more other nations deemed most significant in their history, international relations, and quest for superiority. Doing so, they perceive a gap between their own national identity and the identity they attribute to the other nation. Russia's assumed gap with China exists in the shadow of its more obtrusive U.S. gap. These national identity gaps are closely interrelated.

Two decades after the collapse of the Soviet Union, Russians have abandoned the idealism associated with Atlanticism, reconciled to not reaching clear answers as to what the "Russian idea" means, and found a measure of solace in Vladimir Putin's synthesis of national identity even as it continues to evolve. After anti-Americanism intensified during Boris Yeltsin's second term as president and demagogues stoked fear of China over specific charges of illegal migration and territorial expansionism, Putin has taken control over images of these two countries, which have been in the forefront of Soviet and Russian perceptions of national identity gaps from the 1950s. The shadow of Cold War demonization of the United States and the Sino-Soviet split demonization of China's "barracks communism" and "Han chauvinism" has receded, although the legacy of a communist great power national identity remains in Russia. Under Putin, national identity has coalesced, resulting in zero-sum imagery of rivals.

The end of idealism did not mean a surge of realism. Identity stood in Russia's way. Instead of weighing national interests in framing foreign policy decisions, the way that these decisions would impact the desired Russian national identity came first.

Meetings with Russians can give the impression of a schizophrenic national identity. On the one hand, some well-educated Russians strongly affirm an identity as part of the West, minimizing differences with the United States and the EU as just narrow concerns over specific national interests, while insisting that Russia faces China as a contrasting civilization with which it strives for common interests with scant prospect of reducing the identity gap. On the other hand, informed Russians who claim to be in closer touch with a broader mass of citizens as well as the bulk of officials charge that states in the West are consumed by a sharp identity gap with Russia, which Russia has reciprocated, while some gap with China may exist but is in no danger of widening and poses no problem for relations, which are the

best ever. This paper notes a consensus close to the latter extreme. In light of recent Russian identity, demonizing the United States, not China, is urged by Putin and is prevalent.

Below I utilize the six-dimensional framework of national identity that I first introduced in comparisons of China, Japan, and South Korea.¹ Separate attention is given to: ideological, temporal, sectoral, vertical, and horizontal identity as well as to the intensity of national identity. Also, I draw from a second book centered on the impact of national identities on bilateral relations, which discusses identity gaps.²

On each dimension of national identity, Russians compare their country to the world's remaining superpower, the United States, and the single rising superpower, China. If they no longer subscribe to communist ideology, it does not mean that they have no ideological aspect in their recent national identity discourse. In accusing the United States of still being driven by Cold War ideology while refraining from talk of China's socialist ideology being a factor separating it from Russia, Russians skew the *ideological dimension*, even apart from Putin's own construction of an amalgam of ideology with elements of socialism, anti-imperialism, and Russocentrism. On the *temporal dimension*, Russians juxtapose their country to the United States and China in premodern times and the transitional era to 1945, finding much greater fault with the United States as part of the West, with which Russia had a rivalry and, at times, an adversarial relationship. For the Cold War era, the Sino-Soviet dispute appears all but forgotten amid revived hostility to past U.S. behavior. Moreover, in the post-Cold War decades China is seen as virtuous compared to the villainous character of U.S. policies toward Russia. Spared the vilification aimed in the other direction, China is left as a country distant from Russia's historical identity but not in opposition to it. Whether Russia is seeking recognition or proving that it cannot be disrespected, the focus is overwhelmingly on the United States, sparing China similar close attention.

On the *sectoral dimension*, joining economic, cultural, and political identity, the obsession in Russia with the United States as threatening its national identity in all three respects, leads to largely overlooking China's identity differences. Yet these remain in the background, raised in direct contacts amid warnings that Russia is at economic risk and that cultural ties remain the most problematic. As for the *vertical dimension*, concern about the United States is so pervasive that China's communist legacy draws scant attention. The U.S. threat to Russia's internal order is targeted, not China's, despite the latter's perceived challenge to territorial integrity during the Sino-Soviet split and its "quiet expansionism." Most obtrusively, Russians insist that they agree with China on international relations, while clashing with the United States on all aspects of the *horizontal dimension*. In Central Asia and North Korea, any danger from China is muted. A zero-sum outlook largely prevails under Putin.

Below much is made of differences on the *intensity dimension* between Russia's obsession with the United States, which showed no signs of receding as Putin returned to power demonizing this target, and its forbearance toward China, differing sharply from the ideological schism that left irreconcilable differences to the 1980s. As long as the gap with China is minimized, affecting all six dimensions, at the same time as the gap with the United States stays vast, policy change is unlikely.

IDENTITY GAPS WITH THE UNITED STATES AND CHINA IN 1992-2013

China and the Soviet Union each had to jettison parts of its national identity in the 1980s. China's leaders fell back on two pillars of the existing identity as they abandoned others. They reaffirmed the vertical dimension—one-party rule and censorship to prevent serious discrediting of the leaders associated with it, past and present—and the horizontal dimension, centering on rivalries in global politics and security. Above all, the leadership insisted on bolstering the cultural divide on the horizontal dimension, as they gradually reconstructed the sectoral dimension of national identity. Russian leaders faced a more daunting challenge. Following Brezhnev's stagnation, unlike Mao's Cultural Revolution anarchy, they faced a vertical dimension that was entrenched, supported by a more far-reaching social contract, and inextricably linked to Soviet superpower status deemed to be a success in the horizontal dimension. The divergent histories of socialism in the two countries put Russia's national identity transformation at a disadvantage. So too did the contrast between Russia's historical ambivalence toward the West and vulnerability when opening its doors, and China's traditional separation from the West and superior prospects of borrowing or integrating economically while retrieving identity from the dynastic era.

While it appeared that Atlanticism had become Russia's value orientation briefly in 1992, it was quickly challenged by Eurasianism and the "Russian idea" in ways that left the sectoral dimension with little clarity. Cultural identity was in disarray, economic identity was shattered, and political identity was struggling for a foothold. Meanwhile, ideology was forsaken, history was in tatters with attacks on the Soviet era without clarity on what Russia's pre-Soviet past signifies. Democratic centralism was denounced while democracy still offered no answer on how to rein in the bureaucracy even as state-favored oligarchs won control of assets in ways not regarded as legitimate, as did managers with insider privatization. Thus, the vertical dimension was chaotic. Leaning to the West was bringing no satisfaction for horizontal identity, as Russia's voice lost any impact just as NATO was expanding. China largely remained on the sidelines, of modest interest for identity except as the obvious alternative to all of the negative outcomes inside Russia.³ Influential realists, who were less concerned about identity, also pressed China's case.

By 1994 Russians were convinced that they needed a stronger state despite the fact that state interests had decimated market and political reforms.⁴ Susceptible to the argument that the West destroyed the Soviet Union and was intent on weakening Russia, perhaps even splitting it, they were still agreeing to learn from the West and also to rely on its assistance, but they favored balancing the Western states despite the absence of another partner with deep pockets to support Russia's economic transition. China looked appealing for its "economic miracle," political stability, social order, and international clout while standing against the United States.⁵ It was, above all, a convenient contrast. In the way the Cold War ended, many were unconvinced that the Soviet Union with much of its model intact could not have survived, seeing in China what might have been.

Multipolarity was the primary theme as the horizontal dimension saw the greatest Sino-Russian overlap from 1996 to roughly 2004. As anti-Americanism intensified under Yeltsin and then was managed by Putin in his first years without being seriously reduced, China was

better appreciated in its own right, silencing the demagogues. Completing the demarcation of the border, including the three islands excluded earlier, Russia forged an atmosphere of a relatively trusted partnership.⁶ If in the early Yeltsin period, treatment of China appeared to be a consequence of the changing identity gap with the United States, in the late Yeltsin and, notably, the early Putin years it was the object of a search for a more intensive Russian identity centered on renewed influence in Asia, pride in Russian history in opposition to the history of the West, and revival of a strong state in contrast to the democratic model of the West. The outlines of an assertive Russia with its own strong identity were taking shape, although inconsistency still left many of the details vague.

If the vertical dimension lost its allure in viewing the United States, the horizontal dimension opened a wide rift. Fear of Russia's marginalization, especially along its new borders, led to reconsideration of Russia's ties to states whose relations with the United States were troubled. North Korea and Iran are nearby and have Soviet bonds that add an identity element to perceptions of how to treat them. Problems linked to these countries are cast as infringing on the residual identity of the Soviet Union, which as a superpower rightfully made key decisions about the outside world, echoed now in claims to influence both and others that had opted out of the Western-centered order. After the "near abroad" surfaced as an identity slogan in the 1990s, the scope of neighborhood identity widened under Primakov and even more under Putin, as past partners, including Syria, were seen through a lens of opposing blocs. The horizontal dimension drew Russia toward them as well as to China, whose foreign policy appeared similar in a triangular, U.S. perspective.

More than multipolarity, a civilizational prism brought China and Russia much closer. "Color" revolutions in Georgia, Ukraine, and Kyrgyzstan dramatized the common threat from universal values. Talk of Russia as a separate civilization intensified.⁷ The contrast was drawn especially with the United States, while the fact that China was trumpeting its own civilizational gap with the West did not escape notice. Beyond the horizontal gap, there now loomed a civilizational gap on the sectoral dimension, which accompanied a sharp divide over political and economic national identity. As revenue rolled into Russia from energy and natural resource exports, it did not have to follow advice from the international financial community and welcomed a state-dominated autonomous economy, beyond external pressure, and rising as an "energy superpower," capitalizing on China's insatiable thirst for imports. Looking to Asia in light of the global financial crisis of 2008 that hit the West much harder and the subsequent EU financial crisis, Russia sought to broaden its regional ties. Yet, due to one-sided dependence on China, claims to identity as an independent pole in the Asia-Pacific region rang hollow. Medvedev's "reset" with the United States grew stale, and his meeting with Kim Jong-il to the chagrin of the South Koreans and visit to Kunashiri Island arousing the ire of the Japanese were more in line with China's agenda. Putin needed to clarify the Asian vector. Under the illusion that these moves represent an independent Russian policy in Asia, the deepening polarization in the region was overlooked in acquiescence to China's rise.

The identity gap with the United States was revealed in the 2005 claim to "sovereign democracy" and anger toward Bush's foreign policy, then the 2008 war against Georgia, and, after the "reset," the 2012 Putin snub of Obama's overtures. In contrast, complementarity with China grew as China guzzled Russian energy and resources, and U.S. unilateralism

raised consciousness of shared strategic interests. Growing Russian anxieties, Chinese arrogance, and regional arenas that expose clashing interests threaten to widen the identity Sino-Russian gap. Yet, Sino-Russian trade grew in 2012 by more than 11 percent to \$88 billion, and cooperation on missile defense and new arms deals appears to be raising the level of strategic ties.⁸

When Russia hosted the fifth working group established through the Joint Agreement in 2007 it had an opportunity to shape the agenda for forging a regional security architecture. This five-nation format, with North Korea seen as joining later, saw other states taking a wait-and-see approach,⁹ although U.S. officials were ready to seize the moment if Russia's lead and the responses of others were hopeful. In the Russian Foreign Ministry, however, the usual lethargy prevailed, when the academic and media circles proved incapable of generating a meaningful debate. Whenever the will of the leader is in doubt and the state of national identity leaves no clarity on how to manage China's rise in Asia, the process of strategic thinking is broken.

Russian military and security services have kept alive the notion of a fortress state. Nearly two decades after China and Russia agreed to pull their armed forces well back from the border, Russia refused to open these closed areas, keeping travel time between the two states hours longer. Thus, it should not be surprising that instead of the Vladivostok APEC summit showcasing a strategy for revitalizing Russia's Far East, it exposed the rampant corruption and sorry state of the area except for a kind of Potemkin village for world leaders. Despite announcing a new development plan and a new superagency, Russia has failed to create an atmosphere of momentum in the area.¹⁰ Concern about China's growing shadow over the area is secondary to the national identity concerns that have preoccupied Russia's leaders.

In November 2012 the U.S. Congress passed the Magnitsky bill at the same time as it removed the Jackson-Vanik law and ended barriers to trade with a Russia entering the WTO. Angry Russian leaders vowed to retaliate harshly for this move to interfere in Russia's internal affairs. A law prohibiting further adoption of Russian orphans by Americans symbolized Russian anger. Igor Zevelev found that Putin in 2012 had intensified anti-Americanism, while giving China essentially a pass as if national identity only mattered in dealing with the United States. This asymmetry has detrimental effects on Russia finding a suitable balance as China's power keeps rising. Zevelev warns of a dangerous pattern instead of realistic, flexible policies.¹¹ Obsession with the U.S. national identity gap is so overwhelming that there is little space for balanced strategic thinking to access emerging Russian national interests.

In early 2013 Sino-Russian relations drew closer as longstanding limitations in arms exports and joint arms development, especially in aircraft, were dropped by Russian leaders. Statements from both sides indicated expanded strategic cooperation as well as a joint response to U.S. missile defense plans in Asia. At a time of worsening ties between each country and the United States, security and identity were drawing them to each other, just as economic interests were also strengthening the bilateral relationship. In April 2013, U.S. national security advisor Tom Donilon went to Moscow with the goal of overcoming recent tensions, including solidifying cooperation in the face of belligerence by North Korea, but Putin seemed uninterested in recovering from the nadir in relations.

THE IDEOLOGICAL, TEMPORAL, SECTORAL, AND VERTICAL DIMENSIONS

Ideology brought disaster to Sino-Soviet relations and is supposed to be absent in Sino-Russian relations. After all, China's leaders insist on the continuation of Marxism supplemented with Mao Zedong thought and Russia's leaders refrain from reviving ideas venerated for three-quarters of a century. Yet, as ideology has acquired new meaning in the two countries, the pretense of no overlap has been hard to sustain. It manifests itself as a critique of the supposed U.S. ideological threat to both Russia and China as well as to other states that turn to them for protection. There is considerable consensus too in the way the two states perceive recent U.S. policies as an extension of imperialism and its legacy in Cold War anti-communism. Finally, as sinocentrism and Russocentrism rise to the forefront as ideological concerns, U.S. hostility looms as an ideological challenge.

Authoritarianism has been on the defensive since Stalin and Mao exposed it as capable of unfathomable brutality and the postwar world produced democracies keen on respecting economic co-prosperity and cultural diversity. To protect their regimes, China and Russia must conceal and distort their histories, sully and demonize states that may be seen as models or discredit states most guilty of violating human rights norms, and hold aloft and inculcate a vision of the world bereft of idealism. This acquires an ideological cast through charges that the United States is driven by an outdated Cold War ideology, which contrasts with the way the narratives in each state treat the other as acting only on the basis of realism.

Soviets long viewed Mao as a threat to their communist identity, while Mao found Khrushchev's de-Stalinization a threat to his notion of communist identity, and three decades later Gorbachev's shift in ideology aroused similar vehemence in Mao's successors. Under Hu Jintao the critique of the history of communist rule and the massive crimes of Mao and other leaders was considered a threat to the national identity. It no longer comes from Moscow. Defense of the communist movement and many of its policies, such as the Korean War, distances China from the United States. Under Putin there is less defensiveness and censorship of specialized publications, but the view prevails that the West interprets Soviet history, as well as the history of Russia, in such a way that it undercuts Russian national identity.¹² Looking back, the two communist giants that for two decades vilified each other's history keep their eyes glued to the perceived temporal gap with the United States, not to each other. This does not mean, however, that there is no longer a residue of blaming each other for the Sino-Soviet split. Self-criticism does not extend to the point of a shared view.

China's leadership consciously reconstructs national identity, drawing on the lessons of the failure of the Soviet Union and regular reassessments of the state of Chinese public opinion. Compared to the three-decade Soviet transition in identity prior to Gorbachev's "new thinking," China has been more consistent and nimble in making adjustments. Yet, the basic dilemma the Soviet Union failed to solve remains. How can socialism's priority be reconciled with traditional and universal values as reflected in each of the dimensions of national identity? When Putin in 2012 took a harder line against universal values, exposing Medvedev's appeals to them as never worth being taken seriously since Putin really wielded power, the West lost favor.

Russia is preparing for the 2014 Sochi Winter Olympics in the shadow not only of the 2010 Vancouver Winter Olympics and 2012 London Summer Olympics, but also of the 2008 Beijing Summer Olympics. While the Vancouver games mostly showcased Indian local culture and the London games, following the celebration of Queen Elizabeth's 60th anniversary on the throne, had a narrowly British flavor with some touches of pride in nurturing democracy that spread to the world, Beijing was a showcase for what Anne-Marie Brady calls a major propaganda effort, which she equates to a Mao-style campaign.¹³ While it served as a distraction from political or social problems, it also helped to construct a national image combining remarkable historical cultural prowess and extraordinary economic success. Russia has much less to showcase and is hard-pressed to impress the world on any of the dimensions of national identity. Putin's expansion of coercion to stop demonstrations may cast a shadow that leaves people in much of the world more concerned than impressed.

Putin's obsession with the West, especially the United States, leaves him at a loss to conceptualize the challenge from the East, most of all China, to Russia's identity. He reacted viscerally to Bush's rejection of his terms for cooperation and indifferently to Obama's "reset" as if it meant little. To Putin U.S. unilateralism, support for "color" revolutions, and global reach with scant regard for spheres of interest are anathema. They are interpreted as a mortal threat to Russian civilization, reducing Russia into a vassal state with little benefit from its vast size, venerable traditions, United Nations Security Council veto, and strategic arsenal.¹⁴ In accord with previous Russian leaders who were insistent on forging a strong Russia capable of resisting pressures from the West, not the least of which is the allure of Western civilization, Putin casts himself as the savior.

Under the shadow of communist identity, Chinese and Russian boosters of a new identity embrace the idea of a clash of civilizations. Responding to the "Arab Spring" in 2011-13, leaders play on the notion that Western promotion of democracy is not aimed at enfranchising people but at destroying their way of life and civilization. Linking security to identity, they make it clear that "civilization" is most in need of protection. Chinese have drawn lessons for identity from the collapse of the Soviet Union and widened the gap focused on civilization. After all, they saw Soviet leaders betraying the communist legacy of their country and attributed it to cultural confusion centered on views of traditional culture as part of the West and a revival of humanism encouraged by the leadership of the country. The current Russian leadership draws similar lessons, faulting Gorbachev and Yeltsin as weakening identity and naively dropping barriers to Western culture.¹⁵ Subsequently, an obsession spread that western "cultural imperialism" poses a big threat. These memories stand in the way of any new convergence with U.S. identity.

Putin built up Russia's vertical identity in 2000-07 in opposition to what he perceived to be the compromised identity foisted on Russia through the influence of the West in the 1990s. While in the Medvedev interregnum stress on this gap with the West diminished, Putin responded to signs of increased opposition from the fall of 2011 by assertively widening the gap further. He targeted NGOs newly obliged to register as foreign lobbies if they received any outside assistance. Instead of meeting the demands of demonstrators that democracy was being compromised, Putin took a hard line in making new demonstrations more difficult. This preoccupation with resistance to democracy drew Russia closer to China, not to the United States.

Identity gaps rest on dichotomies of convenient symbols. Chinese respond to the threat of “individualism” as interpreted in the West with claims of harmony, now reinterpreted to rationalize unchecked communist party rule. They counter appeals to universal values with the long glorified notion of “sovereignty.” Distinguishing the reality of economic globalization from a perceived danger of cultural globalization,¹⁶ Chinese spokespersons venerate national culture as its opposite. Absolute contrasts serve to inculcate a world of polarities, signifying widening national identity gaps.

One focus of Russia’s vertical identity as it pertains to East Asia is the Russian Far East. Following Putin’s campaign proposal, the Far East Development Ministry was established in May 2012. It reaches into Eastern Siberia, encompassing as much as 46 percent of the Russian Federation. Vast sums are required to solidify its links to European Russia and the rest of Siberia, involving transportation infrastructure as well as energy pipelines. With concern about China never far from view, efforts center on east-west corridors and a north-south corridor hugging the southern coast of the Russian Far East with a terminus in or around Vladivostok and some possibility of extension through the Korean peninsula. In this respect, the vertical identity of Russia comes in lieu of integration with China through additional north-south corridors. Yet, reluctance to acknowledge this divide has reduced the sense of an identity gap with China in contrast to the demagogic rhetoric during the 1990s. Two decades of fantasizing about the Russian Far East leaves vague whether it is a fortress or a bridge, a link to a multilateral region or an appendage in China’s rise.

THE HORIZONTAL DIMENSION

China and Russia both were shaken by alarm that the strategic triangle was becoming heavily unbalanced against their country. During the early 1980s the Soviet leadership feared growing collusion between a resurgent China and a still powerful United States. A decade later it was the Chinese leadership that worried about close ties between a post-communist Russia and a triumphant United States.

The danger was not merely an unfavorable balance of power. It was also irresistible pressure on national identity, coming from momentum for Western modernization and values and disparagement of communism after its most serious defection. With the Sino-Russian agreement in the mid-90s, this danger no longer seemed realistic. Two decades later a more confident Chinese leadership and a more disgruntled one in Russia were on the offensive, especially in Asia opposing alleged U.S. intentions.

During the 1990s, talk of multipolarity echoed the Soviet demand for status, while anger over Western dismissal of Russian corruption and distorted state-society relations revived sentiments about anti-communism interfering with respect. U.S. overconfidence in its unipolar leadership and its allegedly unprecedented hegemonic ambitions, backed by efforts to impose a singled civilization on humanity, were Russia’s negative images.¹⁷

In rejecting what is wrongly perceived as unilateralism without credit to Obama’s shift toward multilateralism and sincerity in the “reset,” Putin is making it difficult to achieve multipolarity. This approach discards the possibility of finding common ground with the EU and ignores the growing impact of China limiting Russia’s strategic options. It views China through the

U.S. prism and the artificial storyline of a country hiding its agenda as it shows a façade of respect for Russia. Decisions to showcase only a positive image of Sino-Russian relations put an increasing burden on Russia's capacity to rebalance foreign relations as China rises. They rest on a skewed view of the strategic triangle, left when ideology stopped being a problem with China while identity bedeviled U.S. relations.

Russia takes a cautious attitude toward challenging China, but there are increased signs of stirrings to limit growing dependence. This takes the form of pursuing alternative outlets with identity implications. The Eurasian Union is Putin's prime initiative, serving as an undeclared snub of the Shanghai spirit of the SCO, which is troubled by a lack of Central Asian leadership (unlike ASEAN's role in regionalism) and a wide gulf between China's desire to forge an FTA and to strengthen various functions and the obstructionist role of Russia eager to retain as much of its Soviet legacy as possible. With the Eurasian Union facing China's intensified bilateralism to bypass the SCO impasse, prospects for the SCO were growing dimmer. Expanding by adding observer states and then granting them full membership better suited Russia's goal of diluting China's position in Central Asia.¹⁸ Playing off the two great powers, states in Central Asia, especially Kazakhstan, increasingly relied on economic ties with China and reaffirmed cultural and strategic ties to Russia. This obscured Russia's fear of marginalization, China's sense of entitlement, and the expected divisive spillover from the U.S. pullback from Afghanistan set for 2014.

Russia does not have a big stake in North Korea, but it also does not show much concern about the North's belligerence and missile tests. Primarily, the North is an outlet for geopolitical maneuvering sprinkled with a ray of hope for economic integration tied to the Russian Far East.¹⁹ Despite differences with China over its future, agreement on the need to support North Korea versus South Korea and the United States prevails for now. North Korea was the object of intense diplomacy in 2000-03. Reliant on progress in multilateral diplomacy, Russia found that it could not escape from China's shadow just to remain relevant. The summit in 2011 of Medvedev and Kim Jong-il was an unsuccessful long shot at regaining Russia's voice. Urging resumption of the Six-Party Talks after the North Korea launched a long-range missile in December 2012, Russia kept hope alive.²⁰ The troubled atmosphere in early 2013 was unwelcome, causing instability and standing in the path of multipolarity, but deference to China's approach was not challenged.

In 2012, Russian leaders seemed intent on shifting South Korean relations onto a new track, avoiding lengthy discussion on North Korea while concentrating on economic ties linked to development of the Russian Far East. The impact would refocus Russia's shaky, geopolitical identity in the moribund Six-Party Talks to an identity as an economic partner in what could be seen as regionalism focused on multilateral energy cooperation.

India was another possibility, as leaders such as Primakov in 1997 conceived of a troika of China, Russia, and India. With the U.S. role in Afghanistan winding down, the Indo-Russian connection would draw new attention. Yet, talk of India balancing China is a mirage. Growing ties between the United States and India have somewhat marginalized Russia. India has little impact on Russian national identity. Most importantly, China now looms so large for Russia that India has no further chance of serving as a counterweight. Putin's visit to India at the end of 2012 focused on arms sales and trade, not on identity.

Vietnam has drawn on old ties to involve Russia in its dispute with China over the South China Sea, both by supplying advanced arms and by engaging in exploration and development of energy resources. This country and others in Southeast Asia cast doubt on Sino-Russian accord, but the Sino-U.S. disagreement in the region is more serious.

Another option with symbolic value sufficient to separate Russia from China is a breakthrough with Japan. Indications that Putin coveted a deal with Japan that promised a boost for Russia's Asian identity peaked at the Irkutsk summit of March 2001,²¹ and they revived with his judo analogy for reenergizing relations on March 1, 2012. This caught Japanese attention, as did Putin's warm treatment of Prime Minister Noda, giving Japan favored status at the Vladivostok APEC summit in September.²² While Noda fell from power before he could visit Russia in response to Putin's invitation, Abe came to power at year's end with favorable credentials for Russia in contrast to palpable wariness by Chinese and Koreans. As Sino-Japanese relations grew more confrontational, further moves to improve Russo-Japanese relations would leave no doubt of Russia's distinctive place in Asian great power maneuvering while offering an opening for its Asian identity.

Only Japan, the world's third economy and recognized counterweight to China in Asia, offers Russia broader identity in the Asia-Pacific region than as a state deferential to China with little voice of its own. An investment and trade agreement for deliveries of natural gas would be a boon after warnings that the shale gas revolution is marginalizing Russia. If this were combined with a long elusive peace treaty and territorial agreement, trumpeted on both sides as a breakthrough, the message to the world would be not only that two great powers had begun a new era together but also that Russia's Asian identity had shifted in an important way. Having built up expectations for a new posture in Asia before the 2012 APEC summit Putin has much to gain from it, as does Abe Shinzo. In *Beautiful Asia*, Abe wrote movingly about the goal of his father, former foreign minister Abe Shintaro, for a breakthrough with Gorbachev in the territorial dispute before death denied him the post of prime minister.²³ Moreover, as prime minister in December 2006 when Foreign Minister Aso Taro floated a trial balloon of dividing the land area of the disputed islands in half, the boldest offer aired to 2013, Abe must have consented, even if he kept his fingerprints off this hot potato. Finally, near retirement in 2007, Abe aired a development plan for the Russian Far East, making a positive impression. He reenters the fray encouraged by Putin, who met former prime minister Mori Yoshiro on February 21, 2013, reaffirming the Irkutsk agreement that Mori and Putin had reached and planning for Abe to visit Moscow in the spring.²⁴ Hosting Xi Jinping in March in his visit abroad as president does not mean support for China in its dispute with Japan.

Putin could present the return of the two small islands without loss of the other islands as a crowning achievement, since Khrushchev, Yeltsin, and others sought it but never could get Japan to agree. Whatever the arrangement for the other two islands, the fact that they need not be returned would signal not a gloating Russia, but a country that achieves success through pragmatic diplomacy and is treated with the respect due a major player in Asia. Accompanying such an agreement would be a narrowing identity gap over history, reflecting anew on the past periods of friendship between the two states rather than the prolonged mutual antipathy, and a reduced horizontal dimension gap too.

The identity gap argument for Russian overtures to Japan, however, pales before the priority of widening the gap with the United States and keeping the gap with China so narrow that it does not obscure the focus on Russia's obsessive negative target. Counting for little in Russian discussions about foreign policy strategy and national identity in the Brezhnev era and again in the Putin era, Japan is not likely to become a genuine target if it does not take the initiative or Putin does not reconsider his recent favoritism for China.

THE INTENSITY DIMENSION AND OVERALL IDENTITY GAP

As the class conflict approach to history and international relations faded, Russia as well as China found a civilizational approach for reconstructing identity. By the end of the 1980s it was gaining ground, as Gorbachev endorsed the notion of global civilization, while showing little interest in regional or Eastern civilization before losing control of the debate on Russian civilization. For his reform goals, a universal civilization worked well, prioritizing "democratization." Yet Russians failed to explore the civilizational theme in depth; changes in directives came precipitously and able scholars shifted to joint ventures or emigrated. In contrast, Chinese fascination with Western civilization was suppressed as interest grew in Eastern civilization, fueled by the success in neighboring countries. As Russian interest in the West atrophied, China looked more appealing. Dmitri Trenin said in February 2013 that due to Russian domestic concerns, "There has been a qualitative change in relations between Moscow and the West over the past 12-18 months. The Russian leadership has stopped pretending that it follows the West in the sphere of proclaimed values...in the spheres of democracy, human rights, national sovereignty, the role of the state, the position of religion and the church, and the nature of the family."²⁵ At the same time, Sino-Russian relations kept being praised, overshadowing concern.

Russia's educated population is focusing more on deepening problems at home. Discrediting the West and crediting China as a partner steeped in success serves Putin's purpose. If in the 1960s in the Soviet Union and the 1980s in China, intellectuals were given the green light in debunking official myths and going beyond quiet resistance to heroic appeals for a new form of socialism, in the Soviet 1970s and China's 1990s they had to retreat.²⁶ Yet, they found outlets to keep hope alive: fiction, poetry, theater, and science fiction, and Western culture in the first example, and far more opportunities in China through study abroad and the information revolution. For Russians the drift toward universal values was countered by the rise of Russophilism with its focus on a strong state as well as religion and empire, all bathed in cultural identity. In the case of China, Sinocentrism was approved, linked to socialism even if that was downplayed. The weight of these forces in the early 2010s exceeds that of universal values, and may strengthen in times of trouble, but, as problems mount, there is reason to expect greater contestation.

CONCLUSION

In the midst of close scrutiny of Obama's "pivot" to Asia, Putin's rebalancing from west to east deserves attention too. In both cases, the change is a response to China's rise, although Russia appears more intent on capitalizing on it rather than strengthening ties to China's neighbors. The two geographical shifts diverge in how they hedge against the potential of

Chinese regional dominance. Contrasts prevail, despite evidence that national interests in the face of China are actually converging.

Sino-Russian relations appear to be close with trade targeted to reach \$100 billion in 2015, plans set to increase energy flows substantially, and geopolitical cooperation of greater consequence than at any time since the 1950s. Yet, agreeing to tradeoffs in trade and in support of strategic priorities barely conceals tensions over the course of economic relations and security in every sub-region of Asia bordering China. Russia's pursuit of India, Vietnam, and Japan stands in sharp contrast to China's relations. Economic ties have had relatively little spillover into interest groups prioritizing this relationship. The small number of large, state-dominated firms most active in China faced prolonged price disputes and anger over technology transfers. Russians complain of little investment in the Russian Far East and the one-sided nature of Russian exports of natural resources. Chinese herald ties as if they are really close, and Russians stifle resentment at growing Chinese arrogance. Distrust is rampant, as Russians fear domination. Yet, the identity gaps of each country with the United States cushion against any widening divide.

In the late 1980s there was talk about affinities between Russians and Americans and Chinese and Americans. As Russians emerged from the stagnation of the Brezhnev era and Chinese awakened to the materialism and "cultural fever" of the Deng era, both populations were thought to be romanticizing the good life and freedoms of the West, led by the United States. In turn, the slowly dissipating antipathy of the Sino-Soviet dispute was considered to be a legacy with no prospect of being overturned. Normalization might occur in bilateral relations, but the distrust accumulated over three decades appeared to be beyond the reach of newly pragmatic leaders. Soon, Russians were much more hostile to the United States. If there is still little warmth between them and Chinese and no sense of cultural affinity, this is far better than the wide identity gap with the United States. Three factors should be noted: 1) the identity gap with the United States is far more intense and multidimensional than the gap with China; 2) there is a conspiracy of silence in covering the gap with China, reflecting fear of China's reaction as well as lessons learned from the split; 3) the issues at stake in Sino-Russian relations are deemed explosive to manage.

Observers remained wedded to earlier thinking. A common view was that Sino-U.S. relations were deteriorating due to the U.S. refusal to accept China's rise. Dmitry Mikheyev takes this stance. "The unspoken assumption that there are superior and inferior 'races,' religions, cultures, and civilizations justifies the dominance of the 'superior' over the 'inferior.' In contrast, Confucianism seeks an 'all-inclusive societal harmony.' To quote former Chinese Prime Minister Wen Jiabao, the traditional culture of China 'stresses love and humanity, community, harmony among different viewpoints, and sharing the world in common.'" Sergey Roy focuses instead on extreme U.S. thinking about Russia. "They endeavor to 'contain' this menace by pouring money into the construction of BMD, by moving, or threatening to move, NATO forces ever closer to Russia's borders, by virulent Russophobic propaganda, by support for orange-colored revolutionists within Russia." Others argue that a weakened U.S. power must accept a U.S.-China-Russia triangle as a realistic response to the shifting global balance or explore whether Russia could be a mediator as Sino-U.S. tensions intensify. In this exchange, all on the Russian side focus on the U.S.-Russian identity gap

or Sino-U.S gap, not on the Sino-Russian gap.²⁷ The domestic challenge to Putin's return to power aroused his ire against the United States and the West, leading to more national identity intensity.

In contrast to Mao's outrage against the Soviet Union in the 1960s-70s, why is Russia so blasé about its growing dependence on China? It may reflect Russian weakness, fear of the economic cost of China's retaliation, and memory of the heavy price exacted by the Sino-Soviet split. Yet, Mao's China had greater reason to hold its tongue. What matters more, I suggest, is that Putin fears the danger of narrowing the identity gap with the United States, while Mao had no such concern until 1971, and, even in his final years, considered this to be under control. With no priority for ideological identity, Putin lacks the basis for managing identity gaps too. In an age of globalization, vulnerability to the West is great, while the gap with China is ignored.

With its identity still relatively unsettled, Russia is more subject to the whims of a single leader. This was true around 2004 when Putin repositioned Russia in opposition to the United States and partnership with China. It became apparent again in 2012 when Putin acquired imperial airs, showing little patience with structured consultations and decision-making. He grew more arbitrary in charting Russia's course, couched in identity terms. If a wider debate might shift the balance, it now depends on Putin's personal will.

A sharp Russian break with China is problematic. Putin has exaggerated Russia's strength as an energy superpower in a world thirsting for oil and gas and as a great power capable of shaping the behavior of other states or making them pay a price for defiance. In this view, Japan appears much weaker than Russia as a force in Northeast Asia and does not serve as a real counterweight to China. Also, reforms to meet the standards of globalization, thereby establishing a favorable environment for investment, have not been taken seriously, as indicated in the delay in entering the WTO and the lost opportunity of the Vladivostok APEC. By rethinking the worrisome trajectory of Chinese national identity with its powerful impact on the region and the deleterious impact of Russian identity in its suspicion of states with potential to help Russia, Putin could broaden regional trust, but this remains unlikely even as Russia's energy clout is slipping and its distrust with China over the shape of Asian regionalism is growing. As long as national identity trumps national interests, skewing how they are seen, Russia will look to China. Indeed, as Putin and Xi Jinping raise the profile of identity further, keeping the focus on the United States as the "other," the Sino-Russian identity gap may further diminish.

ENDNOTES

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CJK ECONOMIC TRILATERALISM:
THE PROSPECTS AND PERILS
OF A NEW FTA

INTRODUCTION

After more than a decade of energetic pursuit of FTAs, a moment of decision has arrived in 2013. Three far-reaching, multilateral initiatives are simultaneously under negotiation: TPP, Regional Comprehensive Economic Partnership (RCEP), and the CJK FTA. Their fates are intertwined, and their impact on the institutionalization of regional economic integration promises to define the future of Northeast Asia. The focus in Part III of this book is the CJK FTA, which, if concluded, will dramatically expand and deepen intra-Asian integration. If China succeeds in drawing both Japan and South Korea closer economically in this way, it would ensure that trilateralism, which was regularized in 1999 and gained momentum through separation from ASEAN + 3 in 2008, but appeared to be in jeopardy due to growing regional tensions from 2009 to 2013, is not dead. If Japan were to balk at what many now view to be China's suffocating embrace, the chances would rise for a sharp Sino-Japanese split with far-reaching implications for the region, with likely spillover damaging Sino-U.S. relations. Moreover, if South Korea were then to go ahead with a bilateral FTA with China, the divide could extend to Japanese-South Korean relations. How the CJK FTA talks proceed will have ripple effects on the other negotiations and on the balance between integration and polarization in Asia. As TPP negotiations intensified in the spring of 2013, drawing Japan closer to the United States, the CJK FTA talks seemed to be falling behind.

The three FTAs are being negotiated simultaneously. Since Japanese Prime Minister Abe Shinzo announced his administration's intention to join the TPP talks and then won approval from all of the states already involved in the talks, Japan is the sole overlapping presence in all three groupings. Given the advanced state of the TPP talks and the longstanding barriers to trade within Japan, this is likely to consume Tokyo's energy for a year or longer. Meanwhile, ASEAN is expected to push RCEP in the next months. Together, those talks may squeeze the CJK FTA into the background, although Sino-South Korean FTA talks could gain momentum.

The pessimistic case has been gaining momentum recently after years when realization of a CJK FTA was deemed to be just a matter of time. There are at least four reasons. First, unlike previous episodes, which were often characterized as "economics hot, politics cold," the firewall between economics and politics has begun to crack, with spillover from troubling political and security relations increasingly impinging on regional economic relations. Second, China's use of unofficial economic sanctions, such as the suspension of rare earth metal exports, has fueled growing concern in Japan and elsewhere about excessive dependency on a state that appears willing to play by its own set of rules. Third, leaders in the region have been arousing emotional national identity sentiments and catering to forces disinclined to compromise on protectionist interests. Finally, the deterioration of public goodwill in bilateral relations, most notably in Sino-Japanese ties but also between Japan and South Korea and China and South Korea, means that the trust necessary for an FTA is in jeopardy. In an uncertain economic atmosphere it is desirable to expand FTAs with one's closest trading partners, but this motivation does not necessarily trump anxieties about the overall nature of bilateral relations. Perhaps, most worth watching is whether or not Seoul and Beijing accelerate their bilateral trade negotiations especially if the Chinese prove helpful in pressuring Pyongyang, which could leave Tokyo marginalized as it concentrates on the challenge of negotiating its way into the TPP.

The four chapters that follow present perspectives from the three states in pursuit of the CJK FTA as well as those of the United States. They report on the significance of the CJK FTA

negotiations as seen from each country. They also address questions that include: What are the benefits that would accrue from an agreement, and what are the main obstacles to such a deal? The authors trace the past trade policies of each country and assess their respective progress toward broader FTAs, while also keeping their eyes on the geopolitical context that complicates the trust needed for the CJK FTA. They expose the differences in attitudes in the four countries, showing China most enthusiastic, South Korea largely also positively disposed, Japan much more hesitant, and the United States as refusing to view the CJK FTA as opposed to the TPP FTA, but eager to bring the TPP into existence first. A major difference is in how the chapters prioritize the impact of economic logic and geopolitical calculus in their analysis. If economics drives decisions, prospects rise. If politics are in command, trilateral trade liberalization seems a more distant goal.

Chang-Jae Lee offers an optimistic outlook on the CJK FTA's chances, emphasizing its promise for economic growth and its possibilities for improving the political climate. He traces a decade of preparations and catalogues many supporting factors at a time when these states cannot depend on the United States or the EU for growth. Lee highlights Korean analyses that point out that East Asia has become a major engine of global growth but, despite this, the region still lacks a mechanism to carry intra-regional trade to a new level. He recognizes that certain industries in South Korea will prove sensitive, most notably the textile sector with China and the automobile and machinery sectors with Japan. Whereas Japanese agriculture is sensitive toward the price advantages of South Korea, South Korea's agricultural and fishing interests will likely exert strong political pressure against a deal with China. Lee suggests that the order of priority for South Korea is the CJK FTA, the RCEP, and only then the TPP, since South Korea already enjoys preferential access to the U.S. market via the KORUS FTA. He predicts that South Korea will take a leading role in negotiating the CJK FTA, given its successful pursuit of other FTAs, its high level of intra-regional trade dependency, and its great need to reduce the level of tensions in the region.

Scott Harold sees China vigorously pursuing the CJK FTA, arguing that it has been transformed in China's view from a largely economic deal to a strategic agreement with implications for China's regional leadership role. Beijing aims to use such an agreement to reshape the economic trajectory of the region, thereby expanding its overall influence, wooing allies away from the United States and resisting what is perceived as a strategic threat in the form of the TPP. According to numerous Chinese sources, the FTA would not only bring many economic benefits, it also would offer geopolitical advantages. Harold identifies obstacles in China that reflect opposition from various interests, but he notes that Chinese analysts generally downplay these considerations, insisting that the only truly important barriers come from actors in Japan, South Korea, and the United States. Indeed, such analyses may be right. Of late, Japanese businesses have evinced considerably less support for the CJK FTA than previously. Harold concludes by describing the bargaining strategies Chinese analysts perceive as available to Beijing to reach a deal on the CJK FTA. The most prominent of these is the idea of offering substantial incentives to Seoul to ink a bilateral FTA that could be used to drive a wedge between South Korea and Tokyo as a way to put pressure on Tokyo to come to terms with Beijing in order not to be left behind. From this perspective, poor coordination between Japan and South Korea as well as lack of progress in the TPP talks would serve China's geopolitical aspirations and its economic plans.

T.J. Pempel puts Japan's approach to the CJK FTA in the context of a lengthy history of protectionism, exacerbated when Abe Shinzo served his first stint as prime minister in 2006-07, during which time he pulled back from Koizumi's reforms. While agreeing to both the CJK FTA and TPP would be beneficial economically and politically and while Abe is consolidating power in a way that may give him the political clout to proceed, Pempel argues that the political will necessary for pushing ahead on both deals may be lacking. After all, earlier discussion of an FTA between Japan and South Korea floundered on the prospect that Japan would have to open its agricultural sector. After meeting with Obama in February, Abe made the decision to join the TPP negotiations. Before the political climate in Japan may permit consideration of the CJK FTA, Japan will likely face heavy pressure from the states involved in TPP talks to confront its vested interests. Increasingly, Japan and South Korea are eyeing each other's responses to trade openness as their firms compete in similar markets.

In the final chapter in Part III, Claude Barfield traces U.S. trade policy, showing what preceded the Obama administration and what pathway the new administration followed, particularly after a sharp shift in trade strategy that came at the end of 2009. The TPP is widely described as the first 21st century agreement, although Barfield raises doubts about whether it can fulfill these expectations, noting various U.S. interests fighting to limit its scope. In his exploration of the evolution of intra-Asian regionalism, he describes the background to the CJK talks. More than the previous chapters, Barfield brings RCEP into the picture, pointing to three venues poised for competition. At stake are such questions as: Will ASEAN preserve its centrality by shepherding RCEP to a successful conclusion or will it be exposed as an ineffective organization incapable of retaining its central position as the driver of Asian reorganization? Seeing TPP as containment, will China push hard for RCEP? And in the face of competition, will the United States push hard for TPP? In Barfield's view, the CJK FTA is unlikely to go forward due to both political and economic opposition inside Japan, but a Chinese-South Korean FTA has better prospects. Barfield argues that a lot is riding on the TPP, and that the Obama administration should urge Japan and South Korea to be aware that U.S. economic interests in the TPP are deeply entwined with the country's regional security responsibilities. In Abe's February 2013 summit with Obama and in his March declaration that Japan would join the TPP negotiations, a breakthrough appeared to be in sight, leaving South Korea in bilateral FTA talks with China and on the outside of the rush for a 2013 TPP agreement.

Taken together, these four chapters make clear that the CJK FTA is inextricably connected to the region's strategic environment and the alternative FTAs of TPP and RCEP. They vary on whether the CJK talks will succeed, end in a bilateral Sino-South Korean FTA that excludes Japan, or be left behind as TPP and/or RCEP moves ahead. At the core of the discussion is the struggle between vested economic interests and the drive for removing barriers to more open trade. Doubters put even more weight on non-economic obstacles. The economists make a strong case for the benefits of FTAs, including optimists who foresee an East Asian FTA encompassing all. The skeptics warn, however, that the regional divide is deepening and, in the short run at least, trade institutionalization centering on China will be negatively affected. Uncertain prospects for the CJK FTA in 2013 may work to the benefit of TPP, especially if Japan continues to show strong preference for closer ties to the United States or grave doubts about becoming more dependent on China.

What the four chapters of Part III make clear is that decisions on TPP or the CJK FTA confront Japan, and to a lesser extent South Korea, with a choice on how to balance economics versus geopolitical considerations in the reshaping of East Asia. Japan, in particular, has a critical role by being involved in both sets of talks. The United States will be seriously tested and could see the scales tip away from inclusive regionalism if it does not pursue TPP with sufficient vigor. China is similarly tested by its perception that its preferred policy outcome is in direct competition with the TPP, forcing it to expend considerable effort to see if it can offer the necessary reassurances to move its priority FTA forward. The partner that can do the most to bridge the divide is South Korea, whose general support of the CJK FTA offers China an opportunity even as its earlier completion of an FTA with the United States affords it a relatively easy pathway into TPP should it choose to take that step.

The Chinese Perspective

Scott Harold

“The [work] report of the 17th Congress [of the Chinese Communist Party] declared that China will ‘implement a free trade area strategy’, the first time China has raised FTAs to the level of national strategy.”¹

“Signing an FTA is something one does not only for economic and trade reasons—such agreements also include strategic considerations related to local security and regional balancing.”²

“The large economic scope and regional impact that would come from establishing a China-Japan-Korea free trade area would ensure that China’s economic interests would not be negatively affected by not entering into TPP, and also guarantee that China’s regional economic cooperation strategy would play a driving role and not be disturbed by America’s strategic plot. It would also ensure that China will play a role and have influence in any future FTAAP talks.”³

Despite turbulence in its bilateral relations with Japan and South Korea over the past several years, China has expressed a continuing and growing interest in establishing a trilateral China-Japan-Korea free trade agreement with its Northeast Asian neighbors, commonly referred to as the CJK FTA. What initially motivated China’s leaders in the early 2000s to attempt to conclude such a sweeping trade deal with two large neighboring economies that have such differing political values and levels of development at a time when the PRC’s own economy was still adapting to greater competition as aspects of its WTO accession commitments were being phased in? Why did they accelerate their pursuit of such a deal in the late-2000s, a period of widely-commented upon backsliding on economic liberalization in the PRC and growing dominance of the economy by the state-owned sector? What benefits from and obstacles to such a deal do Chinese observers see? And, finally, how likely is China to continue its pursuit of such a deal in an era likely to be characterized by slower growth and heightened tensions over territorial disputes with its neighbors, and how do Chinese analysts suggest Beijing proceed?

China’s pursuit of such a deal in an environment characterized by the dominance of an entrenched state-owned sector and a slowing overall rate of economic growth, as well as a backdrop of regional tensions with Japan and South Korea over disputed islands and fishing rights, represents a puzzle for political analysts seeking to understand China’s overall policy motivations. They appear to run against the interests of some of the country’s most powerful economic interest groups as well as its apparent strategy of pressuring Japan and South Korea over disputed maritime features such as the Senkaku/Diaoyu Islands and Ieodo/Suyanjiiao.⁴ Drawing on a wide array of Chinese language primary sources, this paper explores how Chinese observers characterize the relevant background against which the CJK FTA proposal emerged; its perceived economic and geo-strategic advantages; the obstacles Chinese observers see to the completion of such an agreement; and the prospects for the deal moving forward.⁵ It argues that while Beijing’s interest in the CJK FTA was initially spurred by the deepening of regional economic integration in East Asia, more recently China’s motivation for seeking an FTA with Japan and Korea has as much to do with the competition for influence in Northeast Asia with the United States in the wake of the signing of the Korea-U.S. FTA (KORUS FTA) and the announcement of the Trans-Pacific Partnership (TPP) agreement as it does with purely economic issues. As Guoyou Song and Wen Jin Yuan have written, strategic political considerations loom large in the Chinese government’s FTA strategy:

From China's perspective, the [Trans-Pacific Partnership] framework is a crucial component of the US's recent policy initiative of 'returning to Asia,' which poses a challenge for China both economically and geopolitically. To counter-balance the US initiative, China is actively pushing for its own FTA agenda, in particular trying to move forward on the China-Korea and China-Japan-South Korea FTA negotiations, ultimately seeking to construct a regional web of its own free trade agreements.⁶

This chapter proceeds in four parts. Section one looks at the background setting against which China's interest in the CJK FTA developed and deepened. In section two, the study turns to an examination of the specific economic and geo-strategic benefits that PRC analysts see a CJK FTA as carrying. Following this, section three examines the obstacles to concluding such a deal that Chinese observers perceive. The essay closes with a look at the prospects of a CJK FTA in light of several important recent developments and how Chinese analysts assess the road ahead.

BACKGROUND

Chinese observers trace the origins of Beijing's interest in an FTA with Japan and South Korea to the 1997-1998 Asian financial crisis and the impetus it gave to policy coordination, trade liberalization, and continued economic integration as a recovery strategy.⁷ Following China's 2001 accession to the WTO and the stagnation of the Doha round of trade negotiations, Beijing began to pursue bilateral and regional FTAs designed to expand access to its neighbors' markets while tying their economic interests and developmental trajectories ever more closely to China.⁸ By 2004, this resulted in an FTA between China and its ten neighbors in ASEAN, with the China-ASEAN FTA (CAFTA) seen by many Chinese analysts as a step towards pan-Asian economic integration, including an FTA with Japan and South Korea. During these years, China did not see substantial initiatives by the United States or other actors to shape the geopolitical environment in Northeast Asia through economic agreements, and as such the motivations for seeking a CJK FTA, while present, were not considered pressing.

As China's GDP growth rate accelerated through the 2000s, its regional economic influence expanded rapidly, with large numbers of multilateral firms moving their end-site production and assembly chains to China, leading to regional economic integration (*qiyu jingji yitihua*) centered on the PRC.⁹ Chinese analysts highlight this regional economic integration as a major reason for seeking an FTA with Japan and South Korea, arguing that Beijing needs the ability to shape the economic structure of the region in which it is active the same way that Brussels and Washington define the rules of the world's other two largest economic centers, the EU and NAFTA. To that end, between 2003 and 2009, a joint study team comprised of researchers from government-linked think tanks in China, Japan, and South Korea evaluated the prospects for a CJK FTA, concluding that such a deal would result in gains for all parties. Chinese analysts looking at the growing trade linkages and economic development of Northeast Asia noted that China, Japan, and South Korea were all highly trade-dependent economies whose primary exports markets were located outside of the region, with many calling for steps designed to "break away from reliance on the United States and the current dollar-dominated mode of globalization."¹⁰

In addition to its expanding economic weight and interests, China's motivation for pursuing a CJK FTA deal was given new impetus by the evolution of regional trade agreements and developments in the global economy during the latter years of the 2000s. By the time the think tank feasibility study had concluded, there were signs that extraregional developments in the form of housing bubbles and debt crises originating in the United States and Europe were beginning to pose risks to the economic progress of Northeast Asia, spurring Chinese leaders to intensify their efforts to press ahead with a trilateral Northeast Asian FTA. In late 2009, leaders from the three countries reached an agreement that a tripartite study group including government officials should be convened. A formal Joint Study Committee was launched in May 2010, concluding its work in a *Joint Study Report* on December 16, 2011.¹¹ Several developments combined to spur this increased Chinese attention to and commitment towards the formation of a trilateral Northeast Asian FTA.

First, the 2007 signing of the KORUS FTA promised to bring Seoul and Washington closer together both economically and politically and increased Washington's influence in the rules setting for the Northeast Asian region's economic architecture. The 2009 European Union-Korea FTA further reinforced the challenges Beijing faced in attempting to shape the evolution of the region's economy. Beijing sought to respond to these developments by accelerating its own efforts to ink a bilateral FTA with South Korea and to conclude the proposed trilateral FTA with South Korea and Japan.

Second, the global recession that began with the bursting of the U.S. housing sector bubble, the collapse of Bear Stearns and Lehman Brothers, and the insolvency of other major financial and industrial firms added further incentive to efforts to integrate the Chinese economy more deeply with regional partners as a way to reduce dependency on faltering demand in the United States, something Charles W. Freeman III and Wenjin Yuan have described as "a wake-up call for China's leadership."¹² As Sheng Bin has written, "in order to more effectively respond to the financial crisis and increase Northeast Asian regional cooperation, from 2008 onwards China, Japan, and Korea successfully hosted three leadership summits, leading East Asia's three most influential great powers towards the track of a more systematic form of regional cooperation."¹³ As Japan's economy began to slow, and as the sovereign debt crisis in the Eurozone economies emerged in early 2009, China further accelerated its efforts to negotiate a CJK FTA.¹⁴

Finally, the late 2008 U.S. announcement that it would join the TPP agreement, followed by the 2011 announcement by Japan that it would consider negotiating to join the TPP, led many Chinese analysts to conclude that the struggle to determine the shape of the region's economic future would boil down to a battle between a comprehensive liberal architecture defined by the United States or a more selectively open set of rules centered on agreements negotiated between Beijing and its neighbors. As Shen Minghui has written, China's priority should be to sign a CJK FTA because the "TPP is an attempt by the United States to set international economic rules in response to the development of East Asian cooperation, especially China's peaceful rise."¹⁵ Similarly, Wu Jinyan has written that China must push ahead with regional integration based on an FTA with South Korea and Japan because:

If [the TPP] agreement's expansion is successful, it will deal a serious blow to East Asian regional integration... [Thus] even if the difficulties are many... if we do not seize [the opportunity to determine the economic rules of the game in Asia], the chance to exert leadership over the process of economic

integration in East Asia will never again be in our hands [and] we will be unable to guarantee our interests.¹⁶

Indeed, for many Chinese analysts, including Professor He Li, if the United States and Japan join together in a TPP agreement, it will be a reflection of the two powers' strategy of "resisting China's peaceful rise," since at base:

The competitive relationship between the TPP's trans-Pacific scope for economic integration and East Asian economic integration is essentially a competition between a U.S.-led wide-area approach to economic integration and a Chinese-led approach to economic integration.¹⁷

Wei Lei and Zhang Hanlin describe the TPP in similar terms, arguing that "blocking the establishment of a unitary Asian trading bloc is an important goal of American trade policy," and going further to explain that in their view TPP is designed to "weaken China's regional economic influence."¹⁸

Clearly, while China's initial interest in a CJK FTA was driven by economic concerns, this motivation was insufficient to spur an extremely active effort to conclude such an agreement. More recently, however, the strategic implications of the effort to define the future direction of Northeast Asia's economic and trade development have given added geopolitical motivations to China's efforts to sign a deal, enabling leaders to override domestic economic interest groups' opposition as well as to pursue such an agreement even when political relations with Seoul and (especially) Tokyo are experiencing serious turmoil. For China, the CJK FTA has become an important tool for wooing U.S. allies Japan and South Korea; shaping the economic trajectory of Northeast Asia; expanding its regional influence; and resisting what it perceives as a strategic-level threat from the United States in the form of the TPP agreement. Indeed, to highly-protected Chinese state-owned enterprises, it would appear that a less demanding FTA with Japan and South Korea is less threatening than the demanding labor, environmental protection, intellectual property protection, and other high-level standards required by the anti-state capitalist TPP deal. This may explain why opposition to the CJK FTA from Chinese firms has been very hard to detect. The next section explores other advantages Chinese analysts expect a CJK FTA to bring to China, including both economic and geopolitical or strategic considerations.

CHINESE PERSPECTIVES ON THE ADVANTAGES OF A CJK FTA

Chinese analysts tend to break the advantages of an FTA with the country's two large neighbors in Northeast Asia into economic and political-strategic categories. Official policy statements from the Chinese government largely focus on the economic aspects of such an agreement, making only the most cursory comments on the geopolitical aspects of any CJK deal.¹⁹ Mainstream analyses published in the Chinese language press tend by and large not to depart very substantially from the Chinese government's own stated views of the economic aspects of a CJK FTA, taking these as their starting point and expanding on them marginally without ever expressing opposition to or reservations about such an arrangement.

The government's official view of the utility of a CJK FTA, as explicated by the Ministry of Commerce (MOFCOM), centers around the deal's anticipated "four big impacts" (*si da yingxiang*) and "three big utilities" (*san da zuoyong*).²⁰ The impacts that MOFCOM forecasts include:

- Domestic demand (estimated to rise by 0.4 percent of GDP), consumption (estimated to grow by 1 percent of GDP) and investment (also estimated to expand by 1 percent of GDP);
- Fiscal revenues, which are expected to expand despite the lowering of tariff rates as imports expand in overall volume while domestic demand, consumption, and investment rise leading to greater revenue from sales and value-added taxes;
- China's trade balance with the region, which is expected to rebalance, with Chinese exports growing by an estimated 4 percent even as imports grow by 7 percent, leading to a healthier and more politically-sustainable set of trading relations with the country's neighbors and even possibly contributing to a reduction in imbalances with the United States and EU; and
- Transformation in the structure of China's trade with Japan and South Korea, as an agreement gradually enables China to move away from a situation where it exports low-technology goods and imports high-technology products, thus allowing the PRC economy to climb the value-added chain into more advanced product markets.²¹

At the same time, MOFCOM analysts predict that a CJK FTA would carry utilities, including:

- Expanding foreign competitive pressure, broadening opening and reform, accelerating the pace of domestic firms' structural adjustment, and raising the efficiency of resource allocation;
- Matching economic diplomacy up to political diplomacy, thereby advancing the formation of a 'harmonious world'; and
- Establishing a stable political and security environment by expanding common regional interests, such as environmental protection, resource exploration and development, and combating transnational crime.²²

In addition, Zhao Jinping, Director of the State Council's Development Research Center, has stated in an interview with the Chinese media that his center's research indicates a CJK FTA could add as many as eight million new jobs to the Chinese economy, spurring exports to rise by 4.43 percent and imports to grow by 6.32 percent.²³ Other analysts at this center have claimed that a CJK FTA could cause China's GDP growth rate to accelerate by as much as 2.9 percent.²⁴ Chinese academics and think tank analysts tend to take these MOFCOM assertions as the starting point for their own discussions of a prospective CJK FTA, expressing confidence that it would lead to a "big increase" in Japanese and Korean investment into China; an expansion in overall trade between the three countries; greater regional integration; increased international competitiveness; an improved ability to resist the impact of global financial crises; and improved regional peace and security.²⁵

Chinese observers routinely highlight the "complementary" (*hubuxing*)²⁶ nature of the three countries' economies as a reason for pursuing an FTA, describing Japan as an advanced economy with large amounts of capital and high technology, South Korea as a newly industrialized country with large and sophisticated firms oriented towards exports, and China as a developing country with low-cost labor and land. Indeed, as Zhou Xinsheng, a professor at Shanxi College of Finance and Economics, argues in a typical formulation, the

lack of “any sort of regional cooperation framework has seriously constrained this region’s economic development,” something that a CJK FTA is intended to address.²⁷ In specific, the industry sectors that Chinese observers expect will see major advantages in a CJK FTA include textiles, tourism, labor-intensive services and manufacturing.²⁸ Additionally, some PRC observers highlight the utility of a well-crafted CJK FTA agreement as being likely to reduce trade conflicts through effective dispute resolution mechanisms and improve the efficiency of capital and resource allocation.²⁹

While official Chinese government statements maintain diplomatic propriety by avoiding almost any discussion of anything other than economic motivations for the pursuit of a CJK FTA, almost every scholarly, think tank, and business world analysis examined in the course of this study placed heavy, in many cases predominant, emphasis on the geopolitical imperatives for pursuing such a deal. Such analyses tend to describe “regional [economic] integration” (*quyu yitihua*) as the core of Beijing’s strategic foreign economic policy. Hyungdo Ahn, in an early assessment of China’s attitude towards the CJK FTA back in 2006, perceived that China was beginning to talk about using an FTA strategy to “build its position as a leading nation in world politics” by developing a “China-oriented economic cooperation structure in the region” so as to “build a road to a major hegemony against [the] U.S. using FTA policy.”³⁰ More recently, many PRC analysts highlight the value of a CJK FTA in countering the proposed TPP, which many observers, such as Cai Penghong, Director of the APEC Research Center at the Shanghai Academy of Social Sciences, describe as “a tool... of [the U.S.’s] Asia-Pacific strategy to contain China.”³¹ As Wenjin Yuan has written, such views are commonplace in China, where “the TPP agenda is considered by many Chinese policymakers and scholars as a centrifugal force arising to rip asunder the regional economic integration of East Asia... [and] economically contain China’s rise.”³² In response, Yuan notes, “the Beijing leadership is actively pursuing its own FTA agenda as a strategy to counter-balance the TPP agenda.”³³ As noted above, He Li argues for such an approach, asserting “China needs to rethink its approach to economic integration from a high-level strategic perspective so as to respond actively to the new challenges posed by TPP.”³⁴ The prospect of using a CJK FTA as a tool to resist expanding U.S. political and economic leadership in Asia, especially after the announcement of the U.S. intent to join TPP, was a major additional reason for pursuing a Northeast Asian trilateral FTA. At the same time, the existence of the TPP deal and other factors in China’s external relations have called into question whether a CJK FTA can actually be accomplished. The next section explores the stumbling blocks to such a deal that Chinese analysts perceive.

OBSTACLES TO A CJK FTA IN CHINESE EYES

Clearly, negotiations to integrate three economies as large, diverse, and complex as those of China, Japan, and South Korea, would be challenging under any circumstances. Several factors specific to the relationships between the three countries, as well as their ties to external actors, make a CJK FTA even more challenging. Chinese observers point to obstacles that will need to be overcome, including divergent political and value systems; contentious bilateral relationships stemming from a lack of political trust;³⁵ issues of historical conflict and intensifying territorial disputes;³⁶ tensions between Japan and China over regional leadership; and perceived U.S. opposition.

In addition, the challenges of liberalizing market access to certain industrial sectors in each country are expected to demand protection in ways that would complicate negotiations, owing to the “great differences in the industrial structures” of the countries’ economies.³⁷ Indeed, some Chinese observers see the “large gap in the levels of economic development” as both a positive factor (inasmuch as the economies complement each other) as well as a potential obstacle (given the greater vulnerability of Chinese economic actors and fears among some in the PRC that any deal will lock China into a perpetual position low on the value-added chain).³⁸ One concern is that relatively uncompetitive and highly protected agricultural and fisheries sectors in Japan and South Korea are likely to pose challenges to a CJK FTA, opposing market opening to China’s lower-cost agricultural products.³⁹ Additional obstacles are likely to include opposition from China’s relatively uncompetitive high-technology manufacturing services industry;⁴⁰ difficulties stemming from the challenge of harmonizing market rules, management, and standards across the three economies;⁴¹ and opposition from Chinese manufacturing firms operating in the petroleum, steel-making, automotive, mechanical and electronics, and ship-building sectors as well as those companies providing services in the financial, insurance, and royalties sectors.⁴²

Despite these concerns, Chinese analysts imply that the primary obstacles come not in the form of resistance from Chinese-side interests or left-wing Maoists opposed to free trade in principle, but rather from economic interests in Japan or Korea, or from the United States. This is almost certainly due to the extreme non-transparency of lobbying and policy-making in China. It also likely stems from the difficulty of getting analyses that oppose stated government positions placed in academic journals (a selection bias effect may affect our understanding of the true state of Chinese assessments of such a deal). The growth of nationalistic sentiment and the incentives for academics and think tank analysts to mute their criticisms and support government positions may also play a role. Finally, the impression that Chinese observers think that the obstacles to a CJK FTA come primarily from Japan, Korea and the United States may also derive from an acknowledgement that, when it is determined to do so, the Party can override opposition from economic interests due to its appointment power over the leadership of all major firms, and thus it will not be Chinese domestic actors who block any deal from being signed.⁴³

Mainstream academic and think tank analysis reflects a fairly high degree of consensus about the origins, benefits, and obstacles to a CJK FTA. Where one finds the greatest divergence in opinion in published Chinese analyses of such an agreement is in the realm of strategy for successfully concluding such an agreement, which is discussed in the final section below.

IS A CJK FTA STILL POSSIBLE AND HOW SHOULD CHINA PROCEED?

Tensions between Beijing and Tokyo over the Diaoyu/Senkaku Islands and between Seoul and Tokyo over Dokdo/Takeshima, as well as deepening strategic mistrust between China and the United States over the past three years,⁴⁴ make the prospects of concluding an agreement on a CJK FTA anytime in the near future unlikely. Although the leaders of China, Japan, and South Korea met in Beijing in May 2012 to ink a trilateral investment liberalization agreement, and promised to open FTA talks by the end of the year, these positive developments were rapidly overtaken by events, including the August 2012 visit to Dokdo by Lee Myung-bak; the September 2012 purchase of several of the Senkaku islands under

Noda Yoshihiko; and the state-permitted rampages against Japanese companies, properties, and persons under Hu Jintao.

In light of the row over the disputed islets, Ministry of Commerce spokesman Shen Danyang confirmed on September 20, 2012 “We are still discussing a trilateral free trade agreement between China, Japan and South Korea, but this will surely be affected by Japan’s unlawful ‘purchase’ of the islands.”⁴⁵ Despite the fact that top-level Chinese officials refused to meet with their Japanese counterparts during the early autumn of 2012, working-level talks on a CJK FTA went ahead as scheduled.⁴⁶ When leaders and trade ministers from the three sides finally did meet in Phnom Penh on November 20, 2012, they agreed to initiate talks on an FTA deal in early 2013.⁴⁷ Indeed in late February 2013, trilateral preparatory talks were concluded in Tokyo, with the three sides agreeing to a first round of formal talks in late March or early April, a surprising outcome in light of the escalating tensions stemming from Chinese air and maritime intrusions into Japanese-administered areas around the Senkakus.⁴⁸ While prospects for concluding a trilateral FTA in the near- to medium-term look bleak, Abe Shinzo’s announcement that he would push for Japan to join the TPP negotiations appears to have kept pressure on China. In response, Beijing appears willing to separate politics and economics, moving as far ahead on technical negotiations and talks as possible so as to preserve momentum even if concluding a final FTA is not possible at present. As of mid-March 2013, the transitions from Hu Jintao to Xi Jinping, from Noda Yoshihiko to Abe Shinzo, and from Lee Myung-bak to Park Geun-hye did not appear to have given any additional impetus to the proposed FTA, with each side focusing primarily on firming up administrative staffing, responding to the North Korean nuclear test, and managing their continuing differences over history and divergent claims to territorial rights.

Nonetheless, prior to 2012 at least, PRC analysts emphasized the “inevitability” (*biranxing*)⁴⁹ of a CJK FTA based on the three countries’ geographic size and proximity, which may explain both the absence of anxiety on the Chinese side as well as its confidence that economic logic will eventually drive Japan and Korea into Beijing’s embrace. As late as January 2012, for example, an official commentary by Zhong Sheng (a pseudonym for ‘Voice of China’) in *People’s Daily* argued that “a trilateral FTA is feasible and will benefit all three sides... [and] bring practical benefits to the people.”⁵⁰ Increasingly in 2012, however, Chinese academic and think tank observers gave voice to the view that the establishment of a CJK FTA would probably be a “mid- to long- term goal that will require a gradual approach to realize,” or even a “marathon.”⁵¹ Indeed, Hu Wenxiu has written that “the negotiation process is destined to be long and it may even be possible for the negotiations to last for another 10 years.”⁵² In no small part, the worsening prospects for concluding a CJK FTA can be attributed to China’s policies on the Senkaku Islands. Whereas previous Chinese analyses of Japan’s interest in a CJK FTA would routinely argue, as Shen Minghui did in comments in early 2012, that China need not worry too much about Japanese interest in the TPP because Japanese business groups’ interest in the China market would restrain Tokyo, since late 2012 Japanese firms have been moving to reduce their dependency on China and push their investments in other directions, and Japan is set to move forward with TPP while slow-rolling any CJK FTA.⁵³ Indeed, a December 2012 survey of Japanese firms by the JETRO indicated cooling interest in China, with only 52.3 percent indicating that they are likely to expand their business in China in 2013, a drop of 14.5 percent over the results of the same survey one year earlier.⁵⁴ Beijing has effectively undermined its strongest advocates for deepening economic integration inside the Japanese system.

If these developments seem alarming to Chinese policy analysts, most still appear to agree with Lin Zhiying, Vice-President of the Fung Business Intelligence Center in Hong Kong, who has written that “with China-Japan-Korea economic relations growing closer by the day, the search for a way to develop real cooperative mechanisms is only logical” since the three countries have a collective interest in reducing their reliance on extraregional export demand and increasing the portion of their economic growth that comes from intraregional trade.⁵⁵ Most Chinese analyses suggest that even if progress towards a CJK FTA is delayed, the overall direction of regional economic development is likely to continue to push the three countries towards ever closer cooperation, eventually resulting in a trilateral FTA. This likely reflects, at least in part, the political reality that it is almost impossible for any PRC-based analyst to publish an assessment of the CJK FTA’s prospects that would in any way find fault with the Chinese government’s reaction to the Senkaku/Diaoyu Islands crisis. What policy steps Chinese analysts think Beijing should adopt in order to get there is the final question this study explores.⁵⁶

Given the difficulties of concluding a CJK FTA, some Chinese observers have suggested that Beijing explore options for trying to force Tokyo to come to terms with Beijing on an FTA. One proposal that has gained a substantial following in the literature consulted for this study would see China drive a wedge between its Northeast Asian neighbors through competitive liberalization meant to incentivize Japan to play on China’s terms lest it be left on the outside of an emerging regionally-integrated trading bloc. For example, Wei and Zhang urge Chinese leaders to counter the advent of the TPP and spur Tokyo to agree to a CJK FTA by striving to:

Accelerate the implementation of a regional economic integration strategy and adopt ‘divide-and-conquer’ tactics... [Although] China wants to sign an FTA with Japan and South Korea, Korea’s attitude is relatively positive while Japan’s response is comparatively cooler. In light of this, China should first prioritize consolidating economic and trade relations with ASEAN and South Korea as a way to draw Japan into FTA negotiations.⁵⁷

Similarly, Jiang Xia has written that the “practical approach is for China to first establish a bilateral FTA with South Korea, and then through this entice Japan to join in, progressively taking steps to expand into a trilateral China-Japan-Korea FTA.”⁵⁸ Chen-Dong Tso, of the Center for China Studies at National Taiwan University, also sees signs that “China [seeks] to play Korea and Japan [off of] one another” and notes that the “most eye-catching” step China has taken in response to the advent of expanded TPP talks has been to try to “speed up the process of [negotiating a] China-Japan-Korea FTA and launch [a] China-Korea FTA.”⁵⁹

Even negotiating a China-South Korea bilateral FTA deal will not be easy, with *China Daily* citing “a source close to the talks” as claiming in late August 2012 that “it is unlikely that a free trade agreement between China and South Korea will be signed within two years, due to disagreements over key sectors” including agriculture, services and manufacturing for South Korea and chemicals, electronics, and automobiles for China.⁶⁰ Observers have warned that an approach to moving ahead on a CJK FTA that relies on pressuring Japan via a China-Korea FTA is likely to run into “no small number of obstacles” including both the prospect that negotiating a China-Korea FTA might stumble or drag on interminably, or else the possibility that Japan would simply ignore it or respond by joining the TPP agreement instead.⁶¹ Parting ways with those who argue that the road to a CJK FTA runs through Seoul, Shen points to Korea’s already extant FTAs with the United States and the European Union,

arguing that these make it less eager to sign additional FTAs, whether bilateral with China or trilateral with China and Japan. Rather than trying to sign a deal with Seoul first, or sign a simultaneous trilateral deal with Seoul and Tokyo, Shen advocates recognizing that Sino-Japanese relations are the key to achieving East Asian economic integration and fending off the threat to China's interests posed by the TPP agreement.⁶² While never laying out recommendations that go beyond the purely economic, Shen's emphasis on the need to recognize the critical importance of Sino-Japanese economic ties for China's overall national interests carries implications for how the country should conduct its broader foreign policy. At present, such advice is not likely to be heeded by Beijing, however.

Other approaches are under consideration in academic and policy circles, ranging from the long-term and abstract to the more concrete and near-term. Among the broader strategies analysts are considering, for example, are the ideas of Sheng Bin, who argues that, rather than pushing ahead directly to negotiations with Tokyo and Seoul, China should focus on expanding its soft power and work to build up a sense of East Asian community by striving to:

[I]nculcate and develop 'Asian values' together with other East Asian countries. The crux of this strategic choice is that it depends on whether or not other East Asian countries share as a common identity with China a vision of regional integration as goal and vision.⁶³

Sheng's colleague, Gong Zhankui, has argued similarly that alongside the growth of a regional common identity there is also developing "a trend towards Asia-Pacific regional trade agreements [that] will push the three countries toward establishing an FTA" and should be leveraged.⁶⁴

More specific ways Chinese analysts have argued the country's trade policy should proceed include focusing on less challenging tasks in the field of trilateral cooperation and expanding to a broader agreement later. For example, Zhou Xinsheng has argued for liberalizing rules governing investment, continuing the increasing specialization of production chains, and deepening regionally-integrated production networks as a way to push forward trilateral trade talks by leveraging sectoral and firm interests.⁶⁵ The trilateral investment liberalization deal inked by the three sides in March 2012 is an important step in this direction since, as Jin Yi has argued:

Investment and trade stand in complementary and supportive relation to each other... Thus, in the process of building an East Asian FTA, it will be necessary to design a bilateral or multilateral investment framework (or to expand the ASEAN investment area to include East Asia) as well as to establish an East Asian currency exchange system, and thereby through trade, investment, and financial integration push ahead with the realization of common East Asian goals.⁶⁶

Still other observers, such as Yuan Changjun, have suggested considering a strategy premised on multilateralizing the three Northeast Asian countries' FTAs with ASEAN into a "10 + 3" collective FTA; building practical cooperation at lower levels that would induce broader cooperation through steps such as agreements to cooperate on rail linkages or energy development and sharing modeled on the European Coal and Steel Community of the 1950s and 1960s that eventually led to the integration that produced the European Union in the 1990s; or accelerating and further developing the China-ASEAN FTA while also signing a

Comprehensive Economic Partnership agreement with South Korea as a step towards a bilateral FTA that could then be multilateralized to include Japan.⁶⁷ Yet another scholar, Zhang Jinping, has even suggested establishing a China-Russia FTA that would later be multilateralized to include Japan and South Korea as a Northeast Asian FTA, an idea that may gain currency as China and Russia resume high-level arms sales, energy cooperation, and a measure of diplomatic coordination on important international problems.⁶⁸

As we have seen, while China's initial interests in a CJK FTA were spurred by the prospect of economic gains, and later by the desire to build its national power through expanded market access, by the late 2000s the motivations for seeking such a deal from China's side had begun to shift towards a quest to insulate it from perceived economic and geopolitical threats from outside the region. It is these later developments that spurred increased efforts to ink a trilateral deal, even against a backdrop of slowing domestic economic reform and intensifying external tensions with its neighbors. While at present it is difficult to imagine the three sides successfully pushing ahead with an FTA because of the poor state of relations between China and Japan, should tensions between the two sides calm, Chinese analysts see numerous economic, and increasingly in recent years geo-strategic, reasons for Beijing to press ahead forcefully on a Northeast Asian FTA. Whether or not China has already done too much damage to its relationship with Japan to reopen a pathway to such a deal will depend in large measure on how Japanese observers perceive the advantages and obstacles to such a deal.

ENDNOTES

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The South Korean Perspective

Chang Jae Lee

During the early days of Northeast Asian economic cooperation immediately following the end of the Cold War, the China-Japan-Korea FTA (CJK FTA) was considered impossible, not even mentioned as a long-term goal. The Northeast Asian economic community was eventually forwarded as a vision, but without defining what it would be. Even as economic integration proceeded to the point that an FTA of this sort made increasing sense, it was considered difficult to achieve due mainly to non-economic factors such as historical legacies and political rivalries.

Functional economic integration has proceeded quite smoothly among the three countries as trade interdependency has skyrocketed over the past two decades. At the same time, the basic framework continued to develop, providing support for economic integration among the three countries. The most significant was the beginning of regular meetings among the leaders of the three countries since their first gathering in Manila in November 1999 under the framework of the ASEAN+3 summit. Independent trilateral summits have been taking place regularly since December 2008.

It was the trilateral leaders' meeting that launched the Trilateral Joint Research, which conducted the study on the CJK FTA for 2003-2009, and decisions were made at the independent trilateral summits to upgrade it to the Official Tripartite Joint Study for the CJK FTA and later to launch the CJK FTA negotiations. The year 2012 was significant because the three countries officially announced the start of the negotiation process after long preparation. Yet, this was also a time of deteriorating political relations among the three due to territorial disputes. At the end of 2012, there were changes of political leadership in all of these countries, leaving it up to the new leaders to finalize the process of forming the CJK FTA.

After examining the economic status of the three countries and their economic ties, this paper reviews a decade of preparation for the CJK FTA before analyzing positive factors for the CJK FTA as well as elements of risk that could hinder its realization. In doing so, the South Korean perspective is highlighted.

ECONOMIC STATUS OF CHINA, JAPAN AND SOUTH KOREA AND THEIR ECONOMIC TIES

China, Japan and South Korea account for about one-fifth of the world's economy. In 1992-2011, the share of the three economies has slightly increased from 19.2 percent to 20.5 percent. The respective shares of the three have changed a lot. China's economy soared from 2.0 percent to 10.5 percent, while Japan's decreased from 15.8 percent to 8.4 percent. The share of South Korea's economy rose from 1.4 to 1.6 percent. During the same period, their share of the world's exports and imports have substantially grown from 13.4 percent to 18.4 percent and from 10.2 percent to 16.9 percent, respectively. China's share of both jumped enormously, South Korea's also expanded, while Japan's share shrank markedly. Now all three are major trading nations. In 2011, the shares of China, Japan and South Korea in world exports and imports were 10.7 percent, 4.6 percent and 3.2 percent; and 9.5 percent, 4.6 percent and 2.8 percent, respectively.

As for their share of the world's inward and outward investments (in terms of stock), these were much lower than those related to trade; amounting to only 5.2 percent and 7.1 percent,

Table 1. Economic Status of China, Japan and Korea in the World

	1992				2011			
	Korea	China	Japan	CJK	Korea	China	Japan	CJK
Population ¹ (Million)	43.7 (0.8)	1,173.4 (20.9)	124.2 (2.3)	1,341.4 (24.0)	48.7 (0.7)	1,363.7 (19.8)	126.8 (1.8)	1,539.2 (22.3)
GDP ² (US\$ Billion)	338.2 (1.4)	488.2 (2.0)	3,852.8 (15.8)	4,679.2 (19.2)	1,116.2 (1.6)	7,298.1 (10.5)	5,869.5 (8.4)	14,283.9 (20.5)
Export ³ (US\$ Billion)	77.3 (2.1)	85.6 (2.3)	340.1 (9.1)	503.1 (13.4)	562.5 (3.2)	1,901.5 (10.7)	824.4 (4.6)	3,288.4 (18.4)
Import ³ (US\$ Billion)	83.0 (2.1)	81.9 (2.1)	233.0 (6.0)	397.9 10.2	524.4 (2.8)	1,741.5 (9.5)	854.7 (4.6)	3,120.6 (16.9)
Inward FDI ⁴ (US\$ Billion)	6.9 (0.3)	36.1 (1.5)	15.5 (0.6)	58.5 2.4	131.7 (0.6)	711.8 (3.5)	225.8 (1.1)	1,069.3 (5.2)
Outward FDI ⁴ (US\$ Billion)	4.4 (0.2)	9.4 (0.4)	248.1 (10.4)	261.9 (11.0)	159.3 (0.8)	366.0 (1.7)	962.8 (4.6)	1,488.1 (7.1)
Foreign Reserve ⁴ (US\$ Billion)	17.1 (1.6)	21.2 (2.0)	72.8 (7.0)	111.1 (10.6)	304.3 (2.8)	3,204.6 (29.8)	1,259.5 (11.7)	4,768.4 (44.4)

Note: 1) Figures in parentheses are shares in the world (%); 2) FDIs are in terms of stock; 3) Foreign reserves include foreign currencies and gold.

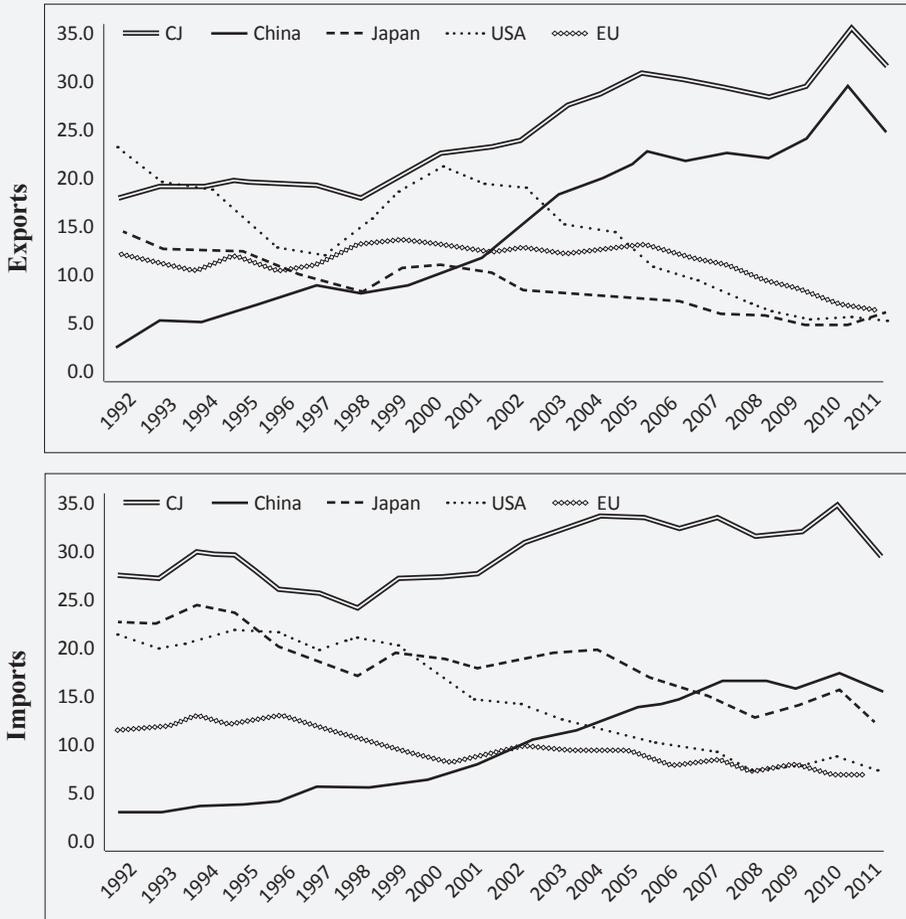
Sources: 1) Oxford Global Economic Databank [http://www.oxfordeconomics.com/oef_win/ReportPage.aspx] (on August 1, 2012); 2) IMF, World Economic outlook Database [<http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx>] (on August 1, 2012); 3) IMF. 2012. Direction of Trade Statistics; 4) UNCTAD Statistics [<http://unctad.org/en/Pages/Statistics.aspx/FDI>] (on August 1, 2012).

respectively, in 2011. The respective shares of China, Japan and South Korea represented 3.5 percent, 1.1 percent and 0.6 percent; and 1.7 percent, 4.6 percent and 0.8 percent, respectively. In addition, the three countries had 44.4 percent of the world’s total foreign reserves in 2011, the shares of China, Japan and South Korea being 29.8, 11.7, and 2.8 percent, respectively.

ECONOMIC TIES OF CHINA, JAPAN, AND SOUTH KOREA

The three countries have become major trading partners for each other, even though their intraregional trade dependency levels, main trading partners, as well as export and import patterns vary. In the 1990s, the United States was Korea’s most important export destination. However, in the 2000s, its share has continued to shrink, while China has become its predominant export destination. For 1992-2011, Northeast Asia’s share in Korea’s exports increased from 18.4 percent to 30.9 percent. China’s share soared from 3.4 to 23.9 percent, while Japan’s share diminished from 15.0 to 7.1 percent. Korea’s export volume to China surpassed that to Japan in 2001, and China has been Korea’s most important export destination since 2003. As for Korea’s imports, Northeast Asia has continued to occupy the dominant place. In the 1990s, Japan used to be the major regional import source, while China has become Korea’s largest import source since 2007. For 1992-2011, China’s share in Korea’s imports rose from 4.5 to 16.5 percent, while Japan’s share decreased from 23.5 to 13.0 percent.

Figure 1. Korea's Major Export and Import Partners

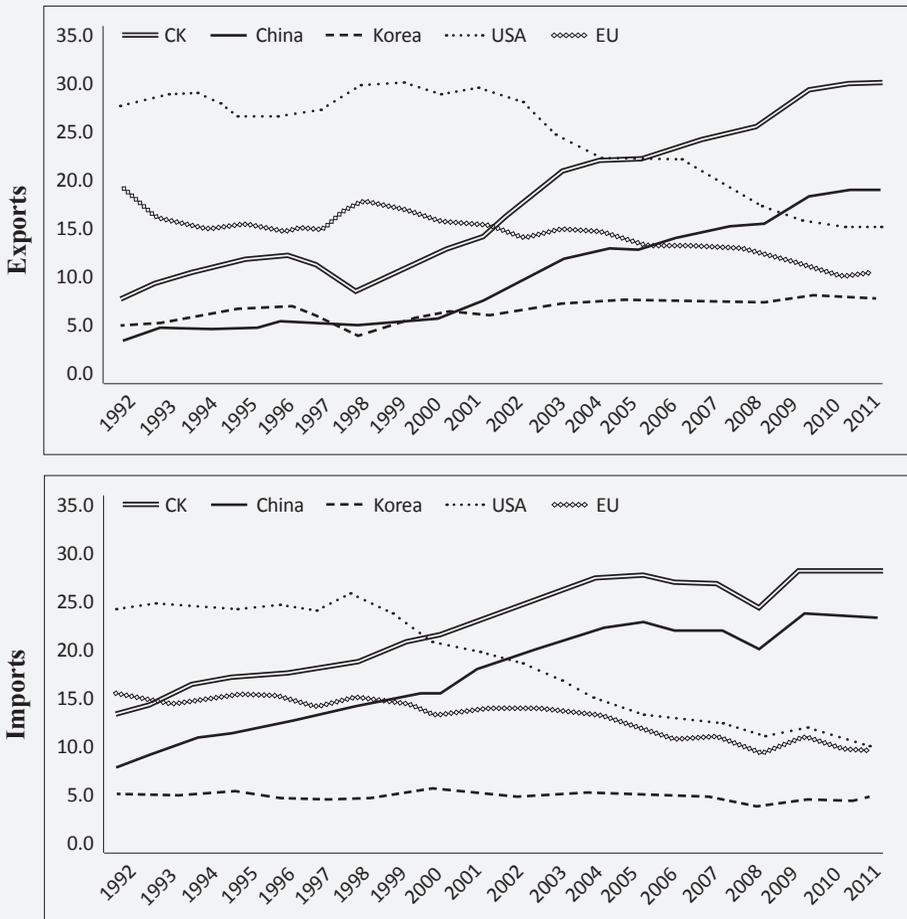


Source: IMF. 2012. *Direction of Trade Statistics*.

The United States had been Japan's major export partner for a long time, but China took over this spot in 2009. For 1992-2011, China's share increased from 3.5 to 19.6 percent, while that of South Korea rose from 5.2 to 8.0 percent, meaning that the share of Northeast Asia in Japan's exports grew markedly from 8.7 to 27.6 percent. With regard to imports, China has also become Japan's most important partner since 2002, replacing the United States. For 1992-2001, its share rose from 7.3 to 21.5 percent, while that of South Korea fell slightly from 5.0 to 4.7 percent, raising the overall share of Northeast Asia from 12.3 to 26.2 percent.

In contrast to South Korea and Japan, for whom Northeast Asia has become the most important export destination, the United States and the European Union have become China's most important partners. For 1992-2011, the share of Japan in China's exports decreased from 13.7 to 7.7 percent, while that of South Korea increased from 2.8 percent to 4.4 percent; the share of Northeast Asia in China's exports diminished from 16.5 percent to 12.1 percent. However, it has continued to be China's most important import partner, even though its share has diminished since 1999. Northeast Asia's share in China's imports increased from 19.9 to 30.9 percent in 1992-1997/8 before going down to 20.4 percent in 2011. Japan's share shrank from 16.7 percent to 11.2 percent, while South Korea's rose from 3.2 to 9.3 percent.

Figure 2. Japan's Major Export and Import Partners



Source: IMF. 2012. *Direction of Trade Statistics*.

As of 2011, Korea's intraregional export and import dependency levels were the highest among the three at 30.9 percent and 29.5 percent, respectively, while China's intraregional export and import dependency were the lowest – 12.1 percent and 20.4 percent, respectively. For 1992-2011, Japan's intraregional export and import dependency recorded the most significant growth, increasing from 8.7 to 27.6 percent and from 12.3 to 26.2 percent, respectively.

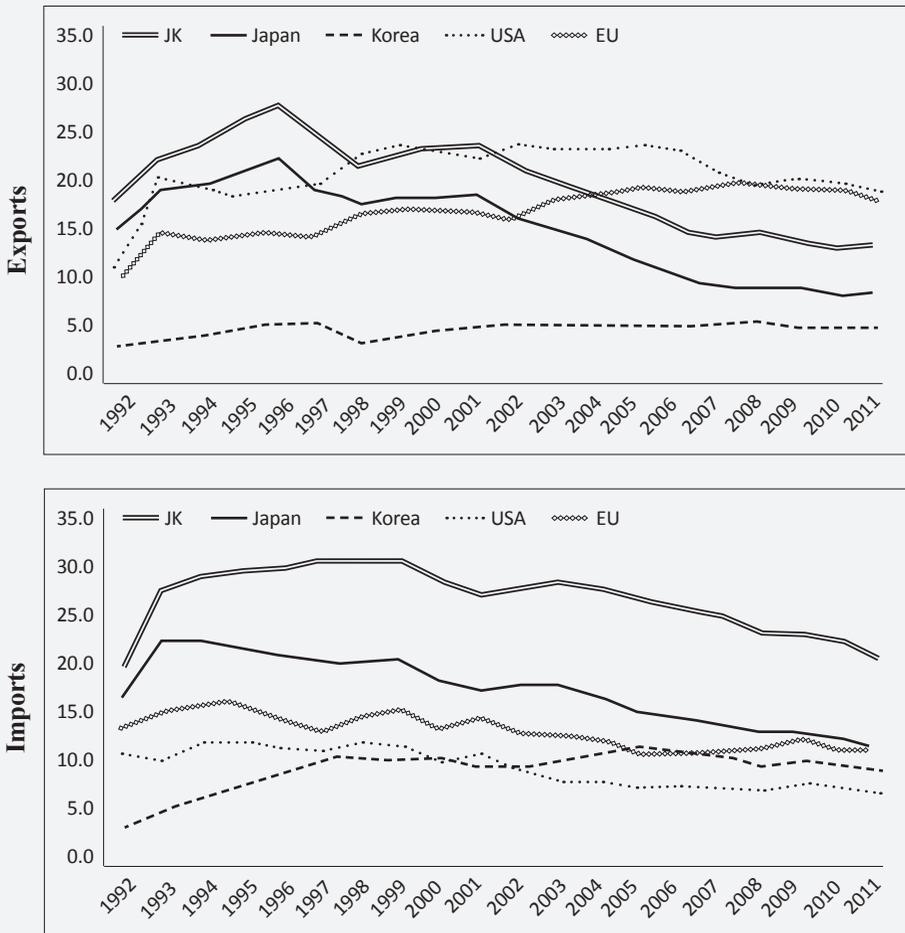
The share of intraregional trade among China, Japan, and South Korea has largely increased over the past twenty years. It grew in 1990 to 2004 from 12.3 to 24.1 percent before shrinking to 21.3 percent in 2011. However, as shown in Figure 4, it remains much lower than the shares of the EU and NAFTA and slightly lower than that of ASEAN.

A DECADE OF PREPARATION FOR THE CJK FTA

Trilateral Joint Research

In November 1999, the leaders of China, Japan and South Korea at their first summit during ASEAN+3 agreed on joint research to enhance economic cooperation among the three

Figure 3. China's Major Export and Import Partners

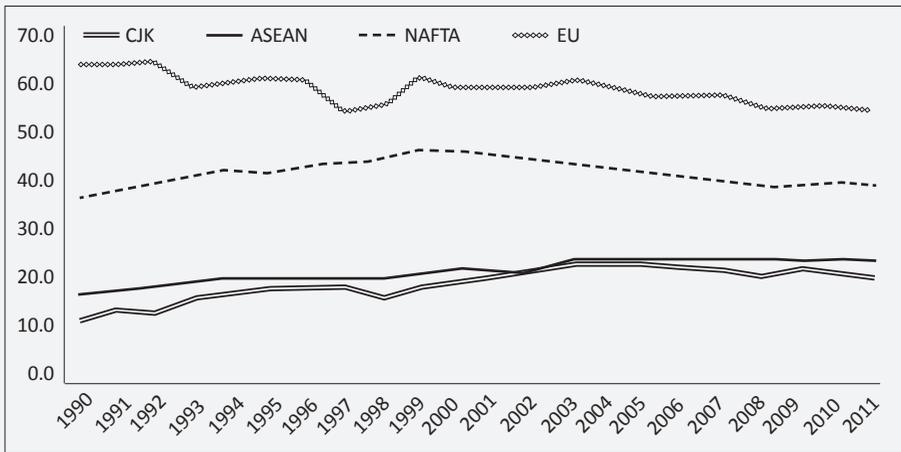


Source: IMF. 2012. *Direction of Trade Statistics*.

countries. The Development Research Center (DRC) of the State Council of the PRC, the National Institute for Research Advancement (NIRA) of Japan,¹ and the Korea Institute for International Economic Policy (KIEP) began Trilateral Joint Research in November 2000,² and they have conducted joint research on the CJK FTA since 2003. The Japanese government was initially reluctant before accepting the more qualified topic, “Economic Effects of a Possible FTA between China, Japan and Korea.” Although the joint research was supposed to last about three years, it actually took seven because the governments were not ready to upgrade it to the Official Tripartite Joint Study; however, at the same time, they did not want to stop it either for fear that it could weaken the momentum of the Trilateral FTA.

At the beginning of the Trilateral Joint Research, government officials and business representatives used to participate only in the international symposium where the results of each year’s trilateral joint research were discussed. However, business representatives of the three countries began to join the planning and mid-term workshops in 2006, and government officials also began to participate in those workshops as observers in 2007. Each year, the

Figure 4. Shares of Intraregional Trade of CJK and Other Regions



Source: IMF. 2012. *Direction of Trade Statistics*.

three institutions presented policy recommendations based on their joint research to the leaders during the trilateral summit. In 2009, the Trilateral Joint Research recommended upgrading the joint research on the CJK FTA to discussions among government officials.³ Over seven years, the three institutions conducted several CGE model simulations on macro-economic effects of the CJK FTA, also studying sectoral implications in the major manufacturing industries, agriculture, fisheries, as well as major service sectors. In addition, rules of origin and sensitive sectors were also examined.

The Joint Study Committee for FTA Among China, Japan and Korea

In December 2008, the first Trilateral Summit independent of ASEAN+3 was held in Fukuoka, Japan. The leaders agreed to launch an Official Tripartite Joint Study for a CJK FTA at the second Trilateral Summit in Beijing in October 2009. Accordingly, the first Joint Study Committee (JSC) for a CJK FTA took place in Seoul in May 2010, and the Joint Study was concluded at the seventh meeting, which was held in Pyeongchang, South Korea in December 2011.⁴ The JSC examined the coverage of the possible CJK FTA without prejudice to the future positions of the three countries in possible trilateral FTA negotiations, identifying the following issues: trade in goods, trade in services, and investment. Other issues may include, but not be limited to: technical barriers to trade, sanitary and phytosanitary measures, intellectual property rights, transparency, competition policy, dispute settlement mechanism, industrial cooperation, consumer safety, e-commerce, energy and mineral resources, fisheries, food, government procurement, and the environment.⁵

The JSC also agreed on four guiding principles for the CJK FTA negotiations: First, the CJK FTA should pursue a comprehensive and high-level FTA; second, the CJK FTA should be consistent with WTO rules; third, the CJK FTA should strive for balanced results and achieve a win-win-win situation on the basis of reciprocity and mutual benefit; and fourth, the negotiations should be conducted in a constructive and positive manner, with due consideration to the sensitive sectors in each country. The JSC also added that it shares the view that strong political will would be needed during the entire process for a CJK FTA.⁶

The outcome of the Joint Study was reported to the Economic and Trade Ministers' Meeting and the Fifth Trilateral Summit in Beijing in May 2012. The leaders welcomed the conclusion and recommendations, and agreed that the trilateral FTA negotiation would be launched in 2012 and that the three countries should immediately start preparations, including domestic procedures and working level consultations.⁷ Then, the trade ministers of the three countries met in Phnom Penh on 20 November 2012 at the 21st ASEAN summit and related summits, and announced the launch of the CJK FTA negotiations, deciding that the first round of the trilateral FTA negotiations would be held in early 2013.⁸

South Korea's Role

South Korea has assumed an important role in preparations for the CJK FTA. First, the Trilateral Joint Research was proposed by Kim Dae-jung during the first gathering of leaders in November 1999.⁹ Second, while the CJK FTA was mistakenly regarded as China's proposal, in reality, since China was the host of the Trilateral Joint Research in 2002, it was Zhu Rongji's role to raise the issue during the Trilateral Summit Meeting based on the research teams' report, but it was the Korean team that originally proposed the CJK FTA as the new topic. Third, with respect to the Official Tripartite Joint Study, apart from hosting the first and last meeting, the Korean side tried to play an intermediary role between China and Japan during the meetings.

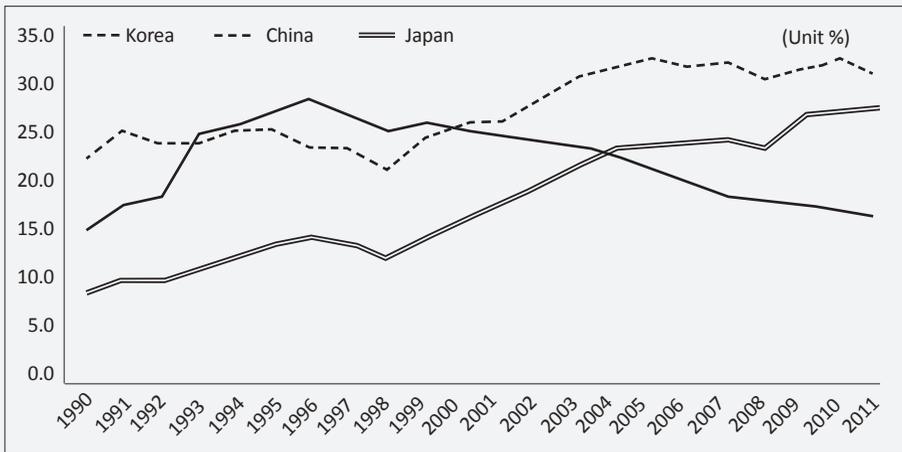
Admittedly, the South Korean government was not very active in promoting the CJK FTA in the mid-2000s when the Trilateral Joint Research was underway because it was more preoccupied with FTAs with the United States and the EU. It was China that was the most active in advancing the CJK FTA, while the Japanese government was the most cautious in the process for realizing the CJK FTA.¹⁰

SUPPORTING FACTORS FOR THE CJK FTA

Many FTAs Concluded by the Three Countries

It was at the turn of the century that Japan became the first Northeast Asian country that concluded an FTA. Then, South Korea and China jumped on the FTA bandwagon, and all three countries concluded many bilateral and multilateral FTAs within a short period of time. In addition, there are many ongoing FTA negotiations and FTAs under consideration. Japan concluded economic partnership agreements (EPAs) with Singapore, Mexico, Malaysia, Chile, Thailand, Indonesia, Brunei, ASEAN, the Philippines, Switzerland, Vietnam, India, and Peru. Japan is engaged in FTA negotiations with Korea, Australia and the GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the UAE), Canada, Mongolia, Colombia, and the start of negotiations was also announced for the CJK FTA and RCEP (Regional Comprehensive Economic Partnership).¹¹ China concluded FTAs with ASEAN, Pakistan, Chile, New Zealand, Singapore, Peru, and Costa Rica, and concluded a Closer Economic Partnership Arrangement (CEPA) with both Hong Kong and Macao. China is currently negotiating FTAs with the GCC, Australia, Iceland, Norway, SACU (Southern African Customs Union), Korea, and the start of negotiations was also announced for the CJK FTA and RCEP.¹² As for South Korea, eight FTAs with forty-five countries are in effect, namely FTAs with Chile, Singapore, the EFTA, ASEAN, India, the EU, Peru, and the United States. It also concluded FTAs with Turkey and Colombia, and is in the midst of FTA negotiations with Canada, Indonesia, China, Vietnam, and the start of negotiations was also announced for the CJK FTA and RCEP.¹³

Figure 5. Intra-regional Trade Dependency Between China, Japan and South Korea



Source: IMF. 2012. *Direction of Trade Statistics*.

Despite the fact that the three countries have pursued active FTA policies, there is no FTA among Northeast Asian countries. In fact, Korea-Japan FTA negotiations started in December 2003 and have been stalled since November 2004. Currently only Director-General-level consultations on a Korea-Japan FTA are under way. As for the Korea-China FTA, after the official tripartite joint study on a Korea-China FTA, which was conducted from March 2007 to May 2010, four rounds of negotiations were held in 2012. South Korea and China have pursued relatively active FTA policies and seem to be natural partners with which to form a regional trade agreement. To become a global FTA hub, South Korea has to form some type of FTA with China and Japan, be it trilateral, two bilaterals, or a de facto FTA with the RCEP or a combination of these.¹⁴

High Trade Dependency

As noted above, South Korea’s dependency on intra-regional trade has been high, and Japan’s, which was relatively low in the early 1990s, has risen quite rapidly over the past twenty years, reaching 26.9 percent in 2011, below Korea’s 30.2 percent. South Korea’s current trade volume with FTA partners accounts for about 35 percent of its trade, and if the CJK FTA were added, it would climb to about 65 percent.¹⁵

In recent years, China has been most positive for the CJK FTA, while Japan seems to have been relatively reluctant. However, given their intra-regional trade dependency, it would be rational for both South Korea and Japan to be more active in realizing the CJK FTA.¹⁶

Strong Manufacturing Sectors

In 2010, China, Japan, and South Korea represented more than 25 percent of the world’s total manufacturing exports in textiles and clothing (38.3), electronic machinery (33.9), non-electric machinery (29.5), other manufacturing (28.7), transportation equipment (26.4) and leather, rubber, and shoes (25.6).

Among products (HS 6-digit) whose total exports exceed \$1 billion, China, Japan, and South Korea represented more than half of the world’s exports for the 147 products in the HS

Table 2. Shares of CJK in the World's Manufacturing Exports (Unit: %)

	CJK		South Korea		China		Japan	
	1995	2010	1995	2010	1995	2010	1995	2010
Wood, paper, furniture	3.6	14.1	0.7	0.8	1.5	11.8	1.4	1.5
Textiles, clothing	21.4	38.4	5.9	2.3	12.4	34.5	3.1	1.6
Leather, rubber, shoes	18.2	25.6	4.2	2.5	8.7	18.7	5.3	4.3
Metals	14.1	18.1	2.8	3.3	3.3	9.0	8.0	5.8
Chemicals	11.4	14.2	1.9	3.0	2.3	6.1	7.2	5.1
Transportation equipment	20.3	26.4	2.9	7.4	0.7	6.3	16.6	12.7
Non-electric machinery	18.3	29.5	1.8	3.1	1.3	17.9	15.3	8.5
Electronic machinery	26.0	33.9	6.1	6.0	2.9	20.7	17.1	7.2
Mineral products	8.5	9.1	1.8	0.9	3.4	5.6	3.3	2.6
Petrochemicals	3.9	4.2	1.7	2.1	2.2	1.3	0.0	0.8
Other manufacturing	22.5	28.7	2.4	5.4	5.6	17.0	14.5	6.4

Source: UNCOMTRADE Database

6-digit category in 2010. Furthermore, Table 3 shows that the three trade mainly intermediate goods among them. An FTA among three competitive manufacturing countries who trade mainly intermediate goods with each other would contribute to raising further the competitiveness of their manufacturing sector by deepening competition among firms and lowering production costs.

There is no comprehensive survey of the views of South Korean manufacturing firms on the CJK FTA. According to the survey conducted by the Institute for International Trade, 68.1 percent of them supported the Korea-Japan FTA, while 58.8 percent supported the Korea-China FTA.¹⁷

Weak Service Sectors

Unlike the manufacturing sector, the three countries lag behind in the service sectors. In 2011, China, Japan and South Korea were the fourth, sixth and fifteenth largest commercial service exporting countries, respectively, while they ranked the third, fifth and thirteenth, respectively, in commercial service import in the world. As shown in Table 4, they represented 10 percent of the world's service exports and 12.7 percent of the world's service imports, which were much lower than their shares in the world's exports and imports in goods.

Table 3. Structure of Intra-regional Export of CJK by Production Process (Unit: %)

Goods	China		Japan		Korea		CJK	
	2000	2009	2000	2009	2000	2009	2000	2009
Intermediate	32.3	42.0	71.5	73.0	74.0	71.2	58.4	61.1
Capital	1.0	21.4	24.0	17.0	11.4	22.7	16.2	20.1
Consumption	48.8	33.3	3.4	6.6	13.9	5.2	22.0	16.0

Source: UNCTAD, UNCOMTRADE Database [online].

Table 4. Status of China, Japan and South Korea in Service Trade (Unit: US\$ Bil, %)

Exports				Imports			
Rank	Country	Amount	Share	Rank	Country	Amount	Share
-	World	4,168.8	100	-	World	3,953.0	100
1	US	580.9	13.9	1	US	395.3	10.0
2	UK	273.7	6.6	2	Germany	289.1	7.3
3	Germany	253.4	6.1	3	China	236.5	6.0
4	China	182.4	4.4	4	UK	170.4	4.3
5	France	166.6	4.0	5	Japan	165.8	4.2
6	Japan	142.5	3.4	6	France	143.5	3.6
7	Spain	140.4	3.4	7	India	123.7	3.1
8	India	136.6	3.3	8	Netherlands	118.2	3.0
9	Netherlands	133.5	3.2	9	Ireland	114.3	2.9
10	Singapore	128.9	3.1	10	Italy	114.0	2.9
15	South Korea	93.8	2.3	13	South Korea	98.2	2.5

Source: WTO [online].

A CJK FTA could be used for the three countries to raise the competitiveness of their service sectors by further liberalizing them. In this regard, South Korea, having concluded FTAs with both the United States and the EU, seems well positioned to push forward the liberalization of service sectors during the CJK FTA negotiations.

Region-wide FTA Sought in East Asia

Since the East Asian Vision Group proposed the establishment of the EAFTA (East Asia Free Trade Area) in November 2001, the discussion of a region-wide FTA has continued among academics and government officials. Following the recommendations of the study by the Joint Expert Group on the EAFTA and the Tract Two study on the CEPEA

(Comprehensive Economic Partnership in East Asia), working groups were formed among government officials to prepare the region-wide FTA in East Asia. In November 2012, leaders of the sixteen ASEAN+6 countries agreed on the launch of the RCEP (Regional Comprehensive Economic Partnership). ASEAN has already formed FTAs with six dialogue partners and several FTAs have been concluded among the dialogue partners. So, in order to achieve a region-wide FTA, an FTA(s) regardless of type, including a CJK FTA, would be needed among the three countries. A CJK FTA as well as a region-wide FTA in East Asia could also contribute importantly to economic integration in the Asia Pacific.

Global Financial Crisis and European Fiscal Crisis

Considering the economic difficulties of the EU and the United States in the wake of the global financial crisis and the European fiscal crisis, China, Japan, and South Korea cannot continue to depend heavily on those markets, especially for final goods. Larger Northeast Asian and East Asian markets would be needed. In addition, in order to revive the world economy, East Asia is expected to become the engine of economic growth once more. A CJK FTA and RCEP could help by increasing the volume of intraregional trade and by also enlarging the market for non-regional countries.

Trilateral Summit

The trilateral summits have played an important role during the preparation for the CJK FTA. They could be crucial for the negotiations because the leaders will meet regularly to discuss important issues related to their countries, and the CJK FTA is likely to be one of the most important.

RISK FACTORS TO THE CJK FTA

Domestic Politics Related to Sensitive Sectors

As with other FTAs, a CJK FTA is likely to face strong opposition from the sensitive sectors in each country, particularly in South Korea and Japan. The geographic proximity among the three countries could further intensify the sensitivity for industries like agriculture and fisheries. For Korea, most sensitive sectors would be related to trade in goods, and the sensitive sectors vis-à-vis China would be quite different from those vis-à-vis Japan. For China, agriculture, fisheries, and some manufacturing sectors would be sensitive for South Korea. Since China has definite price competitiveness over South Korea in most agricultural and fishery products, there would be strong domestic political pressure from those engaged in these sectors. Rice, beans, barley, red beans, mung beans and sesame, red pepper, garlic, and onions are likely to be sensitive agricultural products.¹⁸ With regard to manufacturing, even though the level of South Korea's average tariff rates is not that high, those engaged in SMEs, especially in textiles, are likely to resist trade liberalization with China.

As for Japan, since its average tariff rates are much lower than those of South Korea and many of its manufacturing sectors are considered more competitive, South Korea's manufacturing sector, in general, is likely to be reluctant. In particular, the auto and machinery industries could be regarded as sensitive.

Table 5. South Korea's Tariff Rates Vis-à-Vis China (Average for 2007-2009)

	Exports to China				Imports from China			
	Exports		Tariff rate		Imports		Tariff rate	
	Amount (US\$million)	Share (%)	Simple average (%)	Weighted average (%)	Amount (US\$million)	Share (%)	Simple average (%)	Weighted average (%)
Textiles	2,412	3.2	11.04	10.22	4,944	8.6	10.03	11.19
Petrochemicals	14,355	18.9	5.95	4.76	1,128	2.0	5.89	5.25
Precision chemicals	1,960	2.6	6.67	6.47	2,884	5.0	6.07	5.27
Steel	4,262	5.6	7.58	5.67	11,611	20.2	3.36	1.07
Non-ferrous metal	2,708	3.6	6.14	3.66	2,233	3.9	5.94	3.72
Machinery	12,805	16.9	7.71	5.53	4,088	7.1	6.63	5.80
Automobiles	885	1.2	19.94	24.89	21	0.0	8.18	7.84
Auto parts	2,289	3.0	9.02	8.50	668	1.2	8.00	8.00
Electronics	24,004	31.6	6.05	2.04	20,481	35.6	5.32	2.81
Daily necessities	2,129	2.8	11.53	7.62	3,917	6.8	6.70	7.14
Others	8,165	10.7	6.10	4.91	5,612	9.7	4.09	3.52
Manufacturing	75,973	100.0	8.06	4.70	57,587	100.0	6.54	4.02

Source: Kim Do-hoon, "CJK FTA and its Effect on the Manufacturing Sector," presentation at the CJK FTA Hearings on October 24, 2012 (in Korean).

According to the aforementioned survey by South Korea's Institute for International Trade, 26.8 percent of manufacturing firms were opposed to the Korea-Japan FTA, and the opposition was particularly strong in machinery, steel, and textiles; while 36.8 percent of manufacturing firms were opposed to the Korea-China FTA, and the opposition was particularly strong in daily necessities and steel.

Domestic Politics Related to Past History and Nationalism

Along with sensitive sectors in each country, Kim Soung-chul regards insufficient mutual trust, disputes over territory, natural resources, past history, and strong nationalism as main obstacles to regional cooperation.¹⁹ Recent territorial disputes, which seem to have surfaced in part to serve domestic politics, have aggravated the situation and become the most serious risk factor that could hinder the realization of the CJK FTA.

Table 6. South Korea's Tariff Rates Vis-à-Vis Japan (Average for 2007-2009)

	Exports to Japan				Imports from Japan			
	Exports		Tariff rate		Imports		Tariff rate	
	Amount (US\$million)	Share (%)	Simple average (%)	Weighted average (%)	Amount (US\$million)	Share (%)	Simple average (%)	Weighted average (%)
Textiles	601	2.8	9.07	9.26	416	0.8	10.20	9.20
Petrochemicals	1,302	6.0	4.51	4.64	3,902	7.4	5.82	3.79
Precision chemicals	1,035	4.8	3.49	3.27	3,960	7.6	6.14	5.72
Steel	3,134	14.4	3.00	2.84	11,206	21.4	3.06	1.30
Non-ferrous metal	737	3.4	3.77	2.44	1,650	3.1	5.85	5.59
Machinery	2,262	10.4	0.10	0.06	8,973	17.1	6.49	5.74
Automobiles	25	0.1	0.00	0.00	639	1.2	8.07	7.52
Auto parts	440	2.0	0.07	0.00	1,120	2.1	8.00	8.00
Electronics	6,528	30.0	0.15	0.12	13,269	25.3	5.32	3.01
Daily necessities	1,292	5.9	5.20	2.06	1,999	3.8	6.64	6.76
Others	4,388	20.2	2.61	2.11	5,286	10.1	4.36	5.91
Manufacturing	21,745	100.0	3.24	1.77	52,420	100.0	6.62	4.10

Source: Kim Do-hoon, "CJK FTA and its Effect on the Manufacturing Sector," presentation at the CJK FTA Hearings on October 24, 2012 (in Korean).

In fact, the CJK FTA has been considered impossible or premature given that the three countries have not overcome past history. It may be unrealistic for the three countries to start the CJK FTA negotiations in 2013 even after ten years of preparations, as they are still struggling to surmount historical legacies. Or, maybe it is time to start the process of overcoming past history by reversing the way of thinking: the Trilateral FTA could actually serve as the first step toward reducing regional tension and overcoming past history. Although the European economic integration experience cannot be copied exactly in Northeast Asia, the three countries could learn the lesson that the main motivation for the initial economic integration was to avoid another war in Europe.

In this regard, South Korea has a natural role to play. First, the most visible rivalry being between China and Japan, South Korea could serve as an intermediary. Second, given the divided Korean Peninsula and North Korea being the center of regional security tensions, South Korea could benefit the most from easing tensions in Northeast Asia. Therefore, it should be more active in advancing the CJK FTA.

Other FTAs

Lastly, the CJK FTA could face competition from other FTAs. Korea-China negotiations have already been underway since May 2012 with four rounds held, while Korea-Japan FTA negotiations have been suspended since November 2004, and nine working level meetings were held for 2008-2011 to reopen the negotiations. The launch of the Korea-China FTA could have influenced the Japanese position vis-à-vis the CJK FTA in a positive way and could also be a positive factor in the resumption of the Korea-Japan FTA. However, if the Korea-China negotiations advance too far before launching the CJK FTA and the two countries want to adopt the same modality for the CJK FTA, it may be difficult for Japan to accept. So, some coordination in terms of modalities would be needed between the Korea-China FTA and the CJK FTA. However, if the CJK FTA negotiations face serious difficulties, South Korea could be tempted to go for the two bilateral FTAs instead.

Another risk factor is the RCEP, if the CJK FTA negotiations fail to advance whereas the RCEP negotiations go smoothly; a de facto CJK FTA could be realized within the RCEP before the de jure CJK FTA. In order to avoid this scenario, the three countries should speed up the CJK FTA negotiation process. In doing so, they could also assume a leadership role in the process of forming the RCEP.²⁰

The last risk factor could be the TPP. If Japan prefers to join it over the CJK FTA, the latter could be delayed. The CJK FTA is still likely to be achieved because all three countries, Japan in particular, will support the RCEP. Additionally, Japan's domestic political pressure related to the TPP would also be strong. For South Korea, having concluded the FTAs with the United States and most of the participating countries, the additional benefits as well as costs would not be that great.

PROSPECTS FOR THE CJK FTA AND OTHER FTAs FROM THE KOREAN PERSPECTIVE

Since South Korea has mainly dealt with bilateral FTAs including plurilateral FTAs such as the Korea-ASEAN FTA, Korea-EU FTA and Korea-EFTA; the Koreans are not familiar with the CJK FTA, not to mention the RCEP or TPP. So, there is no clear view from the political parties on the CJK FTA. It appears that even the Korean government does not have yet a detailed strategy for these FTAs. Instead, both the government and the public are focused on the ongoing Korea-China FTA.

According to the only available survey on the CJK FTA done by the Korea's Importers' Association on October 4-8, 2012, 87 percent of Korea's importers supported the CJK FTA. Certainly, this survey does not reflect the view of the general public. Nevertheless, it is true that no strong opposition was raised against the CJK FTA. Rather, there is vociferous opposition to the Korea-China FTA from the agricultural sector, and some academics and business people expressed concern about the negative effects of the Korea-China FTA on Korea's agriculture and SMEs. At public hearings for the CJK FTA in Seoul on October 24, 2012, agricultural activists disturbed the meeting, but they voiced opposition mainly to the Korea-China FTA.

With regard to the Korea-China FTA, public opinion seems quite ambivalent. According to a survey by the Korean Chamber of Commerce made public on November 11, 2012; 71.3

percent of firms were positive about the Korea-China FTA, while 28.7 percent were against it. But at the same time, 84.8 percent of firms said that the government should put priority on minimizing the damage from the Korea-China FTA. Thus, the Korea-China FTA is likely to be concluded, but it may take time and its level of liberalization may not be that high.

With regard to the CJK FTA, although many studies have been done in South Korea by academics, few studies seem to be relevant at this stage where the CJK FTA negotiations are about to take place and the Korea-China FTA negotiations are underway. As for the road map to the CJK FTA, various scenarios have been suggested. My view has also evolved in time: in the early 2000s, it seemed to me that the most realistic scenario was to start from the Korea-Japan FTA followed by the Korea-China FTA, then the CJK FTA;²¹ in 2005, I argued that the most realistic way to reach the CJK FTA would be via the two bilateral FTAs, namely, the Korea-Japan FTA and the Korea-China FTA;²² and in 2011, I expressed preference for a direct path to the CJK FTA, even though talks for the Korea-China FTA were likely to begin first.²³ Other scholars proposed similar ideas: Park Sung-hoon suggested the “NAFTA way” approach, i.e., starting from the Korea-China FTA to reach the CJK FTA,²⁴ whereas Park Bun-soon thought that it would be desirable to pursue the CJK FTA directly instead of the Korea-China FTA and the Korea-Japan FTA.²⁵

Now, four rounds of Korea-China FTA negotiations have already been held, while the restart of the Korea-Japan FTA negotiations has yet to be announced. In addition, the Korean government is fully committed to starting the negotiations of the CJK FTA and the RCEP. So, as far as the CJK FTA is concerned, it has to pursue both the indirect way via the Korea-China FTA and also a direct path to the trilateral FTA.

As for RCEP, since it is still lesser known to the public than the CJK FTA, most Korean academics and government officials seem to think that the priority should be given to the CJK FTA rather than the RCEP; even though the target year for the conclusion of the RCEP negotiations is 2015, while no time table was set for the CJK FTA. Given that all three countries are involved in the RCEP, the CJK FTA and the RCEP are closely linked to each other. A delay in the CJK FTA could postpone the RCEP, but at the same time, since the RCEP could not be realized without a *de facto* FTA among the three countries, the RCEP could also facilitate the CJK FTA.

As for the TPP, South Korea is currently not overly interested. First, as mentioned above, Korea has already concluded or is negotiating FTAs with the participating countries. Second, the Korea-China FTA talks are under way, and the CJK FTA and RCEP negotiations are about to start. Thus, at this moment, the order of priority for South Korea is likely to be the Korea-China FTA, the CJK FTA, the RCEP and the TPP. However, it is difficult to predict the order of conclusion of these FTAs as well as the Korea-Japan FTA, for there are simply too many variables.

CONCLUSION

Although the CJK FTA was considered by many unthinkable, pursuit of it has continued. As a result, the three countries finally agreed to launch negotiations. The trilateral summits have been instrumental in advancing the process, supported by deepening economic ties, especially the rise of intraregional trade. However, recent instances of territorial disputes remind us that

the road ahead could be quite bumpy due to non-economic factors. In addition, as in other FTAs, each country has sensitive sectors, and the geographic proximity of the three countries could further aggravate the situation for industries such as agriculture and fisheries. On top of that, the CJK FTA could compete with other bilateral FTAs or ongoing regional FTAs such as the RCEP and TPP.

Nevertheless, it seems to me that the positive factors for the CJK FTA are more powerful than its risks. All three countries have already concluded many FTAs respectively, and their intraregional trade dependency is quite high, for South Korea and Japan in particular. Moreover, they have many similarities such as having strong manufacturing sectors and less competitive service sectors, so that a CJK FTA could be used to further improve their competitiveness in manufacturing while making their service sectors more competitive.

The CJK FTA would also contribute to the formation of the RCEP. In fact, the global financial crisis and the European fiscal crisis provide an additional rationale for the CJK FTA and RCEP, because the enlarged regional market would be needed given the economic difficulties facing the United States and the EU. Difficult issues linked to history and political tension, usually cited as the main obstacles to the CJK FTA, could turn positive by reversing the usual way of thinking: the CJK FTA could be used as a means to overcome them.

Lastly, South Korea has played an important role in the process of preparation of the CJK FTA, and there are many solid reasons why it is likely to assume a substantial role during the CJK FTA negotiations. Its intraregional dependency is the highest among the three countries, so the CJK FTA would be of particular importance. Being a divided country, South Korea would gain the most from the reduction of tension in the region. Finally, South Korea's accumulated experience in forming FTAs with major countries such as the United States, the EU, and ASEAN could be used to achieve the FTA with its two closest trade partners.

ENDNOTES

1. Since 2009, the Institute of Developing Economies (IDE-JETRO) has been the representative institution for Japan.
2. In the first two years, they conducted a joint study on trade facilitation and investment issues.
3. The upgrade of the Trilateral Joint Research on a CJK FTA was facilitated by the decision made at the ASEAN+3 Economic Ministers' Consultation in Bangkok in August 2009 that working groups of government officials will be formed to prepare a region-wide FTA in East Asia, following the recommendations of the Joint Expert Group for the EAFTA Phase II Study and the Track Two Joint Study for the CEPEA.
4. The other meetings were held in Tokyo (second), Weihai, China (third), Jeju, Korea (fourth), Kitakyushu, Japan (fifth) and Changchun, China (sixth).
5. "Joint Study Report for an FTA among China, Japan and Korea," December 16, 2011, p. 147.
6. "Joint Study Report," pp.147-48.
7. "The Fifth Trilateral Summit Meeting among the People's Republic of China, the Republic of Korea and Japan, Joint Declaration on the Enhancement of Trilateral Comprehensive Cooperative Partnership," May 13, 2012, Beijing, China.
8. "Press Release on the Launch of the FTA Negotiations among China, Japan and Korea," November 20, 2012, Phnom Penh, Cambodia.
9. As for the historic meeting, it was initiated by Kim Dae-jung following Obuchi Keizo's suggestion.

10. However, it was reported that the Japanese side argued for the immediate start of CJK FTA negotiations during the Economic and Trade Ministers' Meeting in May 2012.
11. Additionally, FTAs with the EU and Turkey are under preparation, according to the official website, the CJK FTA and the RCEP are also listed in this category. <http://www.mofa.go.jp/policy/economy/fta/index.html> (January 9, 2013).
12. In addition, FTAs with India and Switzerland are under consideration; according to the official website, the China-Korea FTA and the CJK FTA are also listed in this category. http://fta.mofcom.gov.cn/enarticle/enrelease/201301/11454_1.html (January 9, 2013).
13. In addition, many FTAs are under preparation including FTAs with Japan, Mexico, the GCC, Australia, New Zealand (preparations in progress for reopening negotiations), MERCOSUR, Israel, Central American countries (Panama, Costa Rica, Guatemala, Honduras, El Salvador) and Malaysia. It is interesting to note that unlike the Japanese official website where the Japan-Korea FTA is listed in the category of FTAs under negotiation, according to the Korean official FTA website, the Korea-Japan FTA is listed in the category of FTAs under preparation for reopening negotiations. <http://www.fta.go.kr/new/index.asp> (January 9, 2013).
14. This point will be further dealt with in Section 6.
15. Bark Taeho, "Korea's FTA Policy, KORUS FTA and East Asian Economic Integration," presentation at Peterson Institute for International Economics on May 16, 2012. Based on the UNCTAD COMTRADE Database, South Korea's exports to and imports from FTA partners represented 36.5 and 31.5 percent of its totals in 2011.
16. South Korea's growing trade dependency on China could be regarded as a geopolitical concern.
17. "Survey of Manufacturing Firms' Views on the Korea-Japan FTA and the Korea-China FTA," Institute for International Trade, February 2010 (in Korean).
18. Moon Han-pil, "CJK FTA and Agricultural Sector," presentation at the CJK FTA Hearings on October 24, 2012 (in Korean).
19. Kim Soung-chul, "China-Japan-Korea FTA and the Security and Foreign Policy," Presentation at the International Seminar on the CJK FTA co-organized by Korea Institute for International Economic Policy and Trilateral Cooperation Secretariat, September 19, 2012.
20. Park Sung-hoon also argues that the CJK FTA should precede the RCEP so that the three countries could play an important role in the process of forming the RCEP. Park, Sung-hoon, "The Korean Perspective for East Asian Economic Integration," in Chun Hong-tack and Park Myung-ho, eds., *Integration Strategy for East Asia (II): Focusing Korea, China and Japan* (Seoul: KDI, 2011) (in Korean).
21. Lee, Chang Jae, "Towards a Northeast Asian Economic Community: A Korean Perspective," in Kim Yangseon and Chang Jae Lee, eds. *Northeast Asian Economic Integration: Prospects for a Northeast Asian FTA*. (Seoul: Korea Institute for International Economic Policy, 2003).
22. Lee, Chang Jae, et al., *The Economic Effects of a China-Japan-Korea FTA and Implications for the Korean Economy* (Seoul: Korea Institute for International Economic Policy, 2005) (in Korean).
23. Lee, Chang Jae and Ho-Kyung Bang, *From Northeast Asian Economic Cooperation to East Asian Economic Integration: Toward an Era of East Asia* (Seoul: Korea Institute for International Economic Policy, 2011) (in Korean).
24. Park, Sung-hoon, "The Korean Perspective for East Asian Economic Integration," in Chun and Park, eds.
25. Park, Bun-soon, *One East Asia – East Asian Economic Community, Search for Integration and Coexistence*, (Seoul: SERI, 2010) (in Korean).

The Japanese Perspective

T.J. Pempel

On November 20, 2012, at the Japan-China-ROK Economic and Trade Ministers' Meeting in Phnom Penh, Cambodia,¹ Ministers Edano Yukio, Chen Deming, and Bark Tae Ho, announced that they were launching negotiations to forge an FTA among their three countries. The announcement and the negotiations were the next logical step in a series of deepening and more institutionalized economic ties among the three countries that had been advancing for at least two decades.

China, Japan, and South Korea's increasing economic interdependence has been the immediate consequence of deepening cross border investment and trade, both linked to the growing significance of East Asia's regionally based multinational production facilities. UNCTAD estimates that intra-Asian investment now accounts for at least 40 percent and as much as 50 percent of total Asian FDI.² Investment and trade have soared in tandem, with particular gusto since the 1997-98 financial crisis (see Figures 1-4). By 2001 China had become the ROK's number one target for outgoing investments and in 2002 China-Hong Kong became South Korea's largest export market, replacing the United States. China has also replaced the United States as Japan's number one trading partner and has also become a major destination for outgoing Japanese FDI. China-based Japanese firms have become a key engine in Japan's still limp economic growth. Chang-Jae Lee's chapter provides more extensive data on these ties and the rising interdependency that has resulted. In addition, China is the major destination for Taiwanese FDI and is far and away Taiwan's leading economic and trade partner.

Paralleling Northeast Asia's regional economic integration has been the expansion and deepening of regional institutions. For Japan, Korea, and China, the most important of these started in mid-1995 when ASEAN initiated an expansion in its geographical reach by inviting the three Northeast Asian countries to join them in the ASEAN+3, which then expanded from a series of meetings among senior officials into an annual meeting of heads of state. It has since been active in promoting financial cooperation through the Chiang Mai Initiative (CMI) as well as two regional bond market initiatives. CMI has deepened its resources, become multilateralized in its holdings now known as Chiang Mai Initiative Multilateralization, decoupled itself steadily from rigid IMF conditionality, and now has a single contractual agreement to allow members to draw on emergency funds.³ Japan, along with Korea and China, has been an active proponent of these initiatives.

In addition, all three countries are active members in the virtual alphabet soup of regional institutions complementing the ASEAN+3: APEC, ARF, and the East Asia Summit (EAS). The three were also active in the now suspended Six-Party Talks as well as at least twenty other functionally specific institutional fora.⁴

The three have, since about 2001-2002, also become active promoters of bilateral and multilateral FTAs or Economic Partnership Agreements (EPAs).⁵ Virtually non-existent in East Asia at the time of the crisis, such trade pacts quickly became a favored state instrument designed to improve intraregional trade ties while exerting national influence over trade policies in ways not dependent on the flagging negotiations in the WTO's Doha Round. In May 2010, the Asian Development Bank (ADB) noted that the East Asian region was number one world wide in terms of FTA activity, with 45 in effect, and another 84 in various stages of preparation.⁶ At the same time, the three have yet to finalize any bilateral or trilateral FTAs with one another.

This generally cooperative and deepening economic and regional institutional interdependence among China, Korea, and Japan contrasts with their deteriorating political and security relations. Almost simultaneous with the signing of the 2012 trilateral agreements, China and Japan became engaged in a highly contentious quasi-military confrontation over the Senkaku/Daiyou Islands. As two political democracies aligned with the United States through security alliances, Japan and the ROK enjoy substantially better relations than those between Japan and China. Nonetheless, Japan-ROK relations have also deteriorated as a consequence of their own maritime dispute—the Dokdo/Takeshima island. Japan’s leadership finds itself in a complex and often contradictory set of relations with China and South Korea as it seeks to sort out policy options on economic trilateralism: deepening economic interdependence and enhanced multilateral linkages combined with rising security tensions. Can or should security tensions be played down in hopes of forging deeper and presumably mutually beneficial economic and institutional ties? Or, conversely, would such enhanced ties work to the disadvantage of Japan by bolstering the security strengths of China on the one hand and the economic competitiveness of South Korea on the other, both to the detriment of Japan? This chapter seeks to sort out where Japan’s leaders now stand along with the internal debates about perceived benefits and likely obstacles to future actions.

TRILATERAL ECONOMIC INSTITUTIONALIZATION

At the heart of trilateral institutional relations is the annual trilateral summit. Since first agreeing to meet together under the rubric of ASEAN+3, the three met regularly on the sidelines of different formal meetings, often with no more than high-sounding but non-committal post-conference announcements. They eventually agreed to hold an institutionally-independent leaders’ meeting on an annual basis, motivated in part by the desire to forge a more expeditious mechanism through which to deal efficiently with issues specific to themselves and not constrained by the slow moving, consensus-oriented “ASEAN Way.”

Since the first of these trilaterals took place in Fukuoka, Japan in December 2008, the agendas for cooperation in economics (as well as in the political and security arenas) have grown rapidly with each successive meeting. Thus, in the Beijing meeting of October 9, 2009, the three countries agreed to work toward mutual trust in the political arena; they went on to stress the possibilities for win-win cooperation in a host of economic areas based on complementarities in “key areas such as business, trade, finance, investment, logistics, intellectual property, customs, information, science and technology, energy...” along with other items ranging from cultural exchange to green technology.⁷

The following year in Jeju, Korea, the three went much further, issuing a Trilateral Vision Statement for 2020. They also committed themselves to the “institutionalization and enhancement of [the] Trilateral Partnership”⁸ by creating a permanent secretariat, headquartered in Seoul, which came into place in 2011. Additionally in May 2010, the three began a joint study to forge a trilateral FTA, and they committed to establishing a joint investment treaty as well.

The May 2011 meeting took place in Tokyo soon after the triple disaster in Fukushima with the result that most of the official statements promised further cooperation but made few concrete agreements.⁹ The Fifth Trilateral Summit in Beijing, in contrast, announced cooperative efforts

across a wide range that included disaster relief, integrated transportation, customs protection, and nuclear safety to mention but a few. Unmentioned were the territorial disputes among the three. And most tangibly, just before the summit, the three signed a Trilateral Agreement for the Promotion Facilitation and Protection of Investment among Japan, China, and the ROK.¹⁰ By the time the first CJK Trilateral Summit actually took place, "...not only had negotiators from the three countries already met in the form of six consultation rounds to hammer out the provisions, but they had also concluded five solid rounds of negotiations – all spanning a period of about three years. These concerted consultations and negotiations, prior to high-profile moves survived some of the worst political relations between especially China and Japan starting in 2005, and even when the APT [ASEAN+3] process had ground to a halt."¹¹ The trilateral investment treaty represents a substantial step toward systematizing and formalizing the rules governing all cross-border investments among the three.

At the same time, as Saadia Pekkanen makes clear, the treaty does not throw open the borders of all three. Each of these countries remains relatively restrictive of incoming FDI: the OECD's FDI Restrictiveness Index for 2012 ranks China as the first, Japan as the sixth, and South Korea as the fifteenth most restrictive environment among the fifty-five nation states that it analyzes.¹² Yet, as she notes, the very fact of "institutionalization can constrain the actions and conduct of public and private interests in different jurisdictions, provide a binding rules-based framework for dealing with trade partners, help support business operations across borders, secure the momentum and speed of regional economic integration, and potentially boost national economic welfare over the long term." In short, this FDI commitment to trilateralism by all three was far from trivial.

In a follow up to the investment treaty, the three countries announced in November 2012 at a summit in Phnom Penh, that they would begin negotiations to craft a trilateral FTA. The potential economic benefits to each country would be enormous, not least for Japan. China, Japan, and South Korea depend on each other for about 20-30 percent of their external trade. Japan's *Nikkei* reported if the trilateral FTA is concluded with the easing of tariffs on manufactured and other goods, Japan's exports would be expected to increase by \$60 billion.¹³ Only 14 percent of Japan's exports are covered by existing FTAs (or EPAs) in contrast to 56 percent for ASEAN, 45 percent for Hong Kong, 25 percent for China, and 28 percent for South Korea. It has a considerable distance to go in order to catch up to East Asia's rapidly moving FTA train. All of these points lay the groundwork for asking just how likely such a trilateral trade agreement is to be realized and what possible impediments remain to the steadily deepening as well as enhanced institutionalization of both trade and financial links among China, Japan, and Korea.

JAPAN: ECONOMICS AND NEIGHBORS

For the first four to five decades after the end of World War II, Japan's political economy followed a highly consistent course. Japan's postwar foreign policy pivoted on its close ties to the United States, both militarily and economically. Defense expenditures were kept low, balanced out by U.S. security guarantees and bases on Japanese territory. Moreover, to spur the economic recovery of its most important Cold War ally in East Asia after World War II, the United States opened its markets to Japanese exports without requiring reciprocal access for American products in Japan. For decades, Japan's economy remained one of the most resistant to FDI and foreign manufactured imports of any other industrial democracy. The United States

and Japan became major trading partners. Until the latter half of the 1980s, approximately 11 percent of all U.S. exports went to Japan, while 20 percent of imports came from Japan. For Japan, some 36-39 percent of their exports went to U.S. markets, while 23 percent of total imports came from the United States. Endemic to Japan's domestic economic success were strong formal and informal impediments to competition from foreign investment and foreign manufactured goods. The persistence of such protectionism continues to haunt and impede Japan's current economic situation, as it has since the 1990s.

Though Japan took a "low posture" in its regional policies following the highly disruptive domestic disputes over the 1960 revision of the bilateral security treaty, it normalized relations with South Korea in 1965 and those connections were enhanced by the agreement between Kim Dae-jung and Obuchi Keizo to put past animosities on the back burner and to work to improve bilateral ties. (The subsequent death of Obuchi removed the personal chemistry between the leaders of the two countries that had been vital to the warming relations, leaving their agreement more aspirational than practical.)

Japan was also quick to normalize ties to China following the surprising Kissinger-Nixon visits in 1971; Tanaka Kakuei opened normal diplomatic relations in 1972. After 1978, China broke with earlier policies to embark on what has since been 35 years of greater openness to FDI and trade as well as closer engagement with the United States and other democracies. Japanese investors were among the first to leap at the business opportunities presented by these transformed China markets. In 1978 Japan and China signed the "Japan-China Peace and Friendship Treaty." Shortly after that, the Japanese government entered into its first long-term commitment to provide ongoing ODA to China. In the subsequent thirty years, China was the largest single recipient with Japan accounting for approximately 60 percent of all aid received, approximately 3.4 trillion yen in loans and grants.¹⁴ In the aftermath of the Tiananmen massacre, the Japanese government was also the first major country to re-engage with China and to break with the diplomatic and economic sanctions imposed by other Western powers.

Yet Japan's relations with China have become far worse in the last two to three years while those with South Korea have been highly problematic. It is necessary to ask what went wrong in the interim. To me the answer lies in Japan's domestic political economy and can be reduced to two key changes over the last two decades: first, Japan's economy has been largely stagnant, representing a stark contrast to the phenomenal growth in GDP the country enjoyed from 1952-1990, as well as a contrast to the blistering economic performance of China and the less white hot but nonetheless substantial growth achieved in the ROK; and second, partly in response to this twenty years of economic torpor, Japanese domestic politics has become far more nationalistic, introspective, and suspicious of its relationships with the ROK and China. Neither trend bodes well for future political or economic ties between Japan and its two neighbors.

ROOTS OF JAPAN'S SOURING RELATIONS

Current internal debates about how best to connect to its two most immediate neighbors are intimately linked to competing Japanese domestic perceptions about how best to deal with its own economic problems in conjunction with its regional and global political and security concerns. Broadly stated, Japan's deteriorating political relations with China and South Korea are a function of the political leadership's unwillingness or inability to take the politically painful

steps needed to carry out deep structural changes in the domestic economy, domestic tensions exacerbated by growing insecurity regarding the changing nature of the security environment Japan now confronts. The two of course are linked. The failure to revitalize the Japanese economy through structural reforms has deprived policymakers of a key tool in their prior regional diplomatic toolbox—namely regional economic muscle. Since past strength hinged on the economic dynamism the country demonstrated from the early 1950s into the very early 1990s, current economic limitations, in turn, foster growing concern about the regional and global security situation. Absent the extensive diplomatic leverage that comes from economic strength, Japan's political leaders have instead retreated to a policy of seeking electoral support by appeals to introspective populism, the results of which are periodic diplomatic disasters with China and South Korea.

From today's vantage point it is difficult to recall that twenty years ago Japan's economy was the envy of the world. Its GNP was soaring; its banks were among the most dominant in the world; Ginza coffee shops catered to Japan's nouveau riche with expensive cakes flaked with real gold; and one triumphalist business executive declared that all Japan might need to buy from the United States were mop handles and buckets. From that self-congratulatory perch, Japan has fallen far. Once an economic model to be emulated, it is now an economic lesson in what to avoid. The statistics cataloging Japan's economic decline are cumulatively depressing. Throughout most of the last two decades GDP growth staggered along at an anemic zero to one percent. The country has seen dramatic falls in its global ranking in per capita GDP, along with its labor and capital productivity, while fiscal policies have whipped up a devilish brew of mounting public sector debt, sustained deflation, rising youth unemployment, and visible homelessness in its major cities. Stock market indicators in 2013 stood at half the level they enjoyed twelve years before and only one-quarter the level at the end of the 1980s. Japan's global and regional economic weight has consequently been eviscerated. Between the early 1990s and today, Japan's share of global GDP shriveled to 8 percent, a share almost equal to that which it had held in 1970. Japan has surrendered virtually all of the gains in global economic weight that it had accumulated between 1970 and 1990. The country that once led the world in the introduction of tantalizing consumer products currently struggles to shed the label "Galapagos Tech"—an evolutionary wonder producing goods for only self-absorbed residents of Japan insulated from broader trends of globalization. Consequently, Japan, the initial catalyst for the region's economic success, has become ever less the driver or beneficiary of East Asia's enhanced regional economic strength.

In contrast, over the last thirty years, Chinese economic growth has soared, while South Korea has transformed its own economy, achieving substantial success particularly in the aftermath of the 1997-98 financial crisis. Of symbolic significance, in 2011 China replaced Japan as the world's second largest economy in nominal GDP and China has been eclipsing Japan as the economic engine of the region while simultaneously using its economic muscle as a tool in its regional diplomacy, as noted in Scott Harold's chapter.¹⁵ Even countries skeptical of China's long-term political goals are finding it in their self-interest to accommodate to its enhanced economic and diplomatic muscle.

South Korea, hard hit by the 1997-98 crisis, went through a series of domestic economic restructurings, opened many of its previously closed markets, pursued FTAs with its major

trade partners and has recently negotiated bilateral trade pacts with both the United States and the European Union, two of its major markets, while enjoying an average growth rate of 4.9 percent in its GDP from 1998-2010.¹⁶ As Chang-Jae Lee's chapter makes clear, South Korea has been an active proponent of FTAs with most of its major trading partners and to date has signed eight FTAs with forty-five countries and is actively negotiating still others. Given the extent to which many South Korean and Japanese products compete vigorously for global markets, South Korea's domestically difficult decisions embracing higher levels of economic openness throw down an undeniable challenge to neighboring Japan with its reluctantly sluggish baby steps away from prior protectionist policies.

In addition to China and South Korea, other countries have also closed their once-wide economic gaps with Japan on living standards and wealth. Japan, long the economic leader in the region, has fallen back in the pack. One recent comparison of per capita GDP noted that: "For years, Japan was Asia's richest and most powerful economy. It was the first Asian economy to industrialize, and the emerging Asian tigers—Hong Kong, Singapore, South Korea, Taiwan and later China—merely followed in its tracks. Now, however, Japan is steadily being overtaken."¹⁷ Japanese citizens now lag behind their richer counterparts in Singapore, Hong Kong, and Taiwan, with South Korea poised to pass Japan within five years.

The enhanced economic competitiveness of so many of Japan's neighbors provides a stark indictment of Japan's rickety macro-economy and its waning capacity to influence events within the region. One indication of Japan's shrinking role in the regional economic picture has been the reduced centrality of Japanese capital to investment across East Asia. Japan was the largest investor by far during the 1980s (nearly a 5:1 margin over the number two investor, the United States). During the 1990s Japan retained its number one position, but its lead declined to only 1.5 times that of the United States. By the 2000s, Japan had fallen into the number two slot.

It is not as though policymakers deliberately ignored the nation's economic slide, but for the first decade after Japan's bubble burst, the prevailing policy emphasis driven by the political orientation of the ruling LDP, emulated the long-term model that had kept the party in power: outsized government spending for public works and construction with little attention to the rising share of public debt or to the country's vast problem with non-performing loans. Most importantly, little attention was placed on encouraging the structural reforms in domestic industry and the regulatory structures that would move the country beyond its longstanding focus on exports to a more sophisticated service orientation based on domestic-driven demand. For the better part of two decades the government's prevailing policies have sought to shore up, rather than build from, the country's initial keys to growth—enhanced exports and domestic market protection. Such an approach has stood in stark contrast to the recommendations of the 1985 Maekawa Commission, which concluded that Japan's long-term economic success would require domestic structural reforms, greater domestic liberalization, and a focus on improved living standards for Japanese consumers.¹⁸

The impediments to change have been far more political than economic. In particular, the LDP concentrated its policymaking firepower on efforts to continue its electoral supremacy by impeding substantial structural reforms of the nation's economy. Doing so would have required a reconfiguration of the party's electoral base and the probable loss by many LDP parliamentarians of their cherished Diet seats. Protection of the party's office holders took

priority over remedying the nation's plummeting total factor productivity. Low-productivity, but politically powerful sectors, such as agriculture, medical delivery, food services, and construction, remained largely immune from political challenge. As a consequence, as one McKinsey study showed, even Japan's ten largest companies in fifteen of sixteen industrial groups (autos were the lone exception) today "are less global than their overseas peers, as measured by the percentage of revenues, assets, and stock ownership outside Japan."²⁰

Koizumi Junichiro sought to break the deadlock of such failing policies by eliminating the stranglehold of the LDP's old guard. His administration tackled the problem of non-performing loans head on, and he challenged many longstanding LDP sacred cows (including construction, toll roads, and the postal system). Yet economically savvy as his targets may have been and adroit as he may have been at catalyzing a reconfiguration of the LDP's political base, he proved far less deft in his regional foreign policy. He enraged both China and South Korea with his regular visits to the Yasukuni Shrine. Koizumi further inflamed Japan-China tensions by ending ODA to China, declaring on November 24, 2004 while en route to an ASEAN meeting that it was time for China to "graduate" from receiving Japanese aid.²¹ Koizumi also embraced George W. Bush and the U.S.-Japan alliance by taking a host of steps that expanded the role and sophistication of Japan's Self-Defense Forces and their coordination with U.S. military forces, among which was the specific identification of China as a potential enemy of Japan.²² These moves conflicted quite explicitly with China's goal of enhancing its own influence over the shape of regional security and economics and moved Japan away from its prior tight engagement with Asia in favor of a reinvigoration of its security ties with the United States.

The successes achieved by Koizumi in breaking the stranglehold of several of the LDP's most economically unproductive but political entrenched sectors were, moreover, quickly squandered by his successors. After achieving a stunning electoral success in the 2005 Lower House elections, Koizumi neglected to institutionalize his dual economic and electoral victories. Instead he allowed the party to revert to type as two of his three short-term successors, Abe Shinzo and Aso Taro, assiduously reversed his reforms, returning the party to control by its old guard, and ensuring the continued pursuit of protectionism and cronyism.

Simultaneously, Abe and Aso added fuel to Japan's regional frictions by their fulsome embrace of Japan's most xenophobic instincts, calling among other things for constitutional revision, a return to "traditional values," "super-sizing" the abductee issue and other fears centering on North Korea,²³ injecting enhanced nationalism into school textbooks and classroom instruction, and seeking to create an "arc of freedom and democracy" that most observers saw as a not-very-subtle effort to "contain" China.

The electoral rebuttal to the LDP was severe. The long-dominant party lost badly in the Upper House elections of 2007 and was subsequently crushed by the DPJ in the Lower House elections of 2009. When the DPJ came into office it carried a policy platform committed to sweeping economic reform efforts and improved relations with the other countries of Asia.²⁴ The party proposed stronger ties with China and South Korea through deeper economic integration and enhanced diplomatic engagement. It advocated "constructive dialogue" to resolve contentious territorial disputes with the two countries and argued that it would restore trust with its neighbors by admitting Japanese aggression during World War II and promising to make no official visits to the Yasukuni Shrine. A major economic delegation of some 600 Japanese business leaders, led by DPJ strongman Ozawa Ichiro, symbolized the DPJ's effort

to improve both economic and diplomatic relations with China. At home the DPJ's economic policies, focused on "putting people's lives first" as the DPJ pumped billions of yen into creating a stronger social safety net and expanding child welfare allowances, along with cutting road tolls and reducing the (almost non-existent) taxes on small businesses. Such programs, though highly popular with voters, were extremely costly. More frustratingly, they did little to advance the needed structural economic reforms.

Even if the DPJ agenda was promising, leaders proved inept at implementation. Three successive DPJ prime ministers suffered from major gaffs: Hatoyama Ichiro faced both a personal financial scandal as well as troubles with the United States over the relocation of the marine corps base at Futenma; Kan Naoda, as Japan's sixth prime minister in five years, resigned after a disastrous failure to deal adequately with disaster relief during the March 11, 2011 triple disaster at Fukushima; Noda Yoshihiko, though perhaps a far more astute politician, took the economically positive but politically suicidal step of raising the consumption tax in an effort to deal with the country's massive public debt problem. As one cynical summary of the three years of DPJ government concluded "it has reneged on, failed to implement and even reversed many of its campaign pledges," leading it to be trounced by the LDP in the December 2012 elections. The one legacy of DPJ government that might well prove useful in dealing with Japan's economic malaise was Noda's halting efforts to have Japan join negotiations for the TPP.

JAPAN AND ITS CURRENT FREE TRADE OPTIONS: OBSTACLES AND OPPORTUNITIES

Japan faces the possibility of joining as many as three looming multilateral Asia-Pacific FTAs. The trilateral CJK trade pact under negotiation with China and Korea is obviously one; TPP is a second; the third is the Regional Comprehensive Economic Partnership (RCEP). All three would advance the agenda of free trade in the wake of the stagnation in negotiations at the Doha Round of WTO liberalizations,²⁵ requiring various degrees of trade and FDI liberalization on the part of Japan. But the three are quite different in their probable trade inclusiveness (and the political pain likely to be demanded) as well as in the countries that would be included (creating different mixes of "allies" and "adversaries").

The economics of Japan's ties to China and Korea certainly speak to the advantages of the trilateral FTA. The long-term benefits to Japanese exporters might reach as high as \$60 billion.²⁶ The existing trilateral investment treaty means an economically and administratively valuable precedent is already in place. Yet at the same time, Japan and Korea previously engaged in eighteen months of negotiations toward a bilateral trade pact in 2004-2005 only to have the talks end in failure, due essentially to Japan's reluctance to liberalize its agriculture and other politically protected sectors. As one Korean diplomat noted at the time: "Seoul was ready to sign a 'high level, comprehensive' agreement with Tokyo even though that would be painful for many small and medium South Korean companies in protected industries... We are prepared to weather domestic resistance to [a trade agreement] but if we start on the basis that a certain Japanese ministry [Agriculture] offers us, we would be subjected to severe domestic criticism."²⁷

The economics of Japan's ties to China and Korea certainly speak to the advantages of the trilateral approach. Should a trilateral FTA be signed, this three-country economic bloc

would be the world's third biggest behind NAFTA and the EU. The combined economies would cover 1.5 billion people and amount to \$14 trillion in gross domestic product. The long-term benefits to Japanese exporters might reach as high as \$60 billion.²⁸ A trilateral FTA would also allow Japan and South Korea to more easily tap into China's huge market. China certainly wants to be involved in such an FTA to help it check the economic and security influence of the United States in East Asia. In this regard China envisions the CJK FTA as an important alternative to TPP, which is being strongly pushed by the United States. Three rounds of negotiations are set for 2013.

Because Korea and China are considering a bilateral FTA that would not include Japan, it is clearly worrisome to both countries that Japan may be entering the trilateral talks only as a way to "keep in check rapid progress in Seoul and Beijing," as Huh Yoon cynically opined.²⁹ He noted, it is one thing to get together to talk; it is quite another to reach an agreement.

Offsetting the possible difficulties Japan might face in liberalizing its market are two distinct upsides to the CJK FTA from Japan's perspective. First, given the high levels of economic protection in China along with the preeminence of SOEs as well as China's political desire to forge a trilateral FTA, the economic demands for liberalization of the Japanese market could be much less than those of joining the TPP. Furthermore, China's sense of urgency in creating an FTA mechanism to offset some of the appeal of the TPP appears to have made it more amenable to softening diplomatic tensions with Japan over the Senkaku/Diaoyu controversy.

The TPP, in contrast, is likely to make the strongest demands for structural economic changes within Japan. The TPP has become the signature trade target of the Obama administration which sees it as an Asia-Pacific expansion of NAFTA and an important component of its "pivot" toward Asia. If U.S. views prevail, the eventual agreement will be a "comprehensive and high standard agreement for the 21st Century" that would eliminate most tariffs, systematize trade regulation among all members, and be comprehensive in covering all trade related issues, including, for example, rules of origin and labor protections. Moreover, it would encompass not simply trade but the promotion of economic development and collective growth.³⁰

In early 2013, incoming Prime Minister Abe convinced his reluctant LDP to endorse his decision to enter into TPP negotiations, starting with the seventeenth round scheduled for May 2013 in Lima, Peru. This came only after hints in his meetings with Obama that there might be "carve outs" for politically sensitive economic sectors at least prior to entering the negotiations per se. Abe has played that theme consistently in attempting to win domestic political support for joining the negotiations. After returning from his D.C. visit he told a crowd of 3,500 lawmakers, party members, and guests who had gathered for the annual convention of the ruling LDP: "I will protect Japan's agriculture and its food at all costs. I ask you to please trust me, believe in me."³¹

Despite the probability of far greater difficulty in liberalizing politically sensitive sectors of Japan's economy should Japan opt for TPP, the benefit in terms of shoring up Japan's relations with the United States could make the risk worth taking. After all, the United States is at the core of TPP while China and Korea are not. Equally important economically, if Japan joins under the strict standards of the TPP, the country would receive a major impetus toward structural reform and enhance its appeal to other countries seeking additional FTAs.³²

In mid-April the other countries agreed to allow Japan to enter negotiations. Clearly, the earlier Japan gets into discussions the greater its voice is in the give-and-take of negotiations, and the more substantial the structural reforms Japan makes to its economy, the greater the long-term benefits are likely to be. However, big changes in the quest for macro-economic benefits can exact high costs from micro-economic losers and the greater the likelihood of costly political repercussions. Criticisms of Japan's concessions to the United States just to enter negotiations began soon after Abe's return.³³

Finally, RCEP was begun only in December 2012, advanced primarily by ASEAN, though China is also enthusiastic (again since the United States would not be involved). It aims to be the largest free-trade bloc in the world, comprising all ten ASEAN nations and the six other countries with which the group has FTAs. The grouping includes more than three billion people, has a combined GDP of about \$17 trillion, and accounts for about 40 percent of world trade. Negotiations are slated to begin in early 2013 and to conclude by the end of 2015. The idea for the RCEP was first introduced in November 2011 at the ASEAN Leaders Summit in Bali, as officials attempted to reconcile two existing regional trade architectures. China pressed for the East Asia Free Trade Agreement, which restricted the grouping to ASEAN+3. Japan has long favored the Comprehensive Economic Partnership in East Asia of the ASEAN+6 countries. ASEAN leaders struck a balance with the RCEP, adopting essentially the Japanese membership formula, but also adding an open accession scheme that would allow other members to join so long as they agree to comply with the grouping's rules and guidelines. Plans for RCEP would create a minimalist FTA with no member forced to adopt policies with which it disagrees and allowing for major carve-outs of sensitive industries. As such, the domestic economic demands of RCEP would be far less for Japan than joining TPP or the CJK FTA. Yet, the United States is notably absent from RCEP, a serious concern for policymakers anxious to bolster security ties to it and also to avoid being swamped in multilateral bodies dominated by China. RCEP would most likely reflect substantial Chinese influence throughout any negotiations.

Japanese leaders will certainly strategize about how to approach each of these three potential pacts in light of both economic and political goals. Economically, RCEP would be the least painful domestically and it would offer some political benefit by enhancing the centrality of ASEAN+6, which Japan has long promoted. But at the same time RCEP would not include the United States and would do little to spur significant structural reforms at home, and hence RCEP would be of minimal long-term economic benefit to Japan. TPP would be painful at home but would be exceptionally valuable in many ways. Barfield and Levy concluded: "An agreement with the United States, Japan, Australia, New Zealand, and Chile at its core would have the economic heft to set a new standard for Asian integration. Furthermore, if the TPP remains open to new members as expected, it could serve as the foundation for a Pacific Ocean-spanning free trade area."³⁵ Most critically for Japan, it would create enormous pressures for precisely the kinds of structural reform that could return it to economic strength regionally and globally.

The CJK FTA may provide Japan, both politically and economically, with a "Goldilocks' solution," not quite as painful domestically as TPP but not as economically vapid as RCEP. The trilateral would also offer the possibility of improved diplomatic and political relations with two countries that are among Japan's most important trade partners but among its most nettlesome neighbors. Intriguingly, a strategy that included Japanese participation in both TPP

and the CJK FTA could well achieve far more than either in isolation—closer ties with both the U.S. on the one hand and China and Korea on the other, along with enhanced trade ties with three of Japan’s major markets, as well as economic and diplomatic outcomes that would address a host of problems currently vexing the country’s domestic economy. The only real impediment to pursuit of such an approach remains Japanese politics. Whether the new LDP government and Abe in particular are willing to take such a bold step is far from certain. Clearly Abe’s past behavior and statements make one skeptical. Yet the LDP enjoys a powerful majority in the Lower House and if it can gain similar leverage in the July 2013 elections for the Upper House, the political muscle would be there if, perhaps, not the political will.

APPENDIX

Figure 1. Percentage of Japanese Outward Foreign Direct Investment by Country

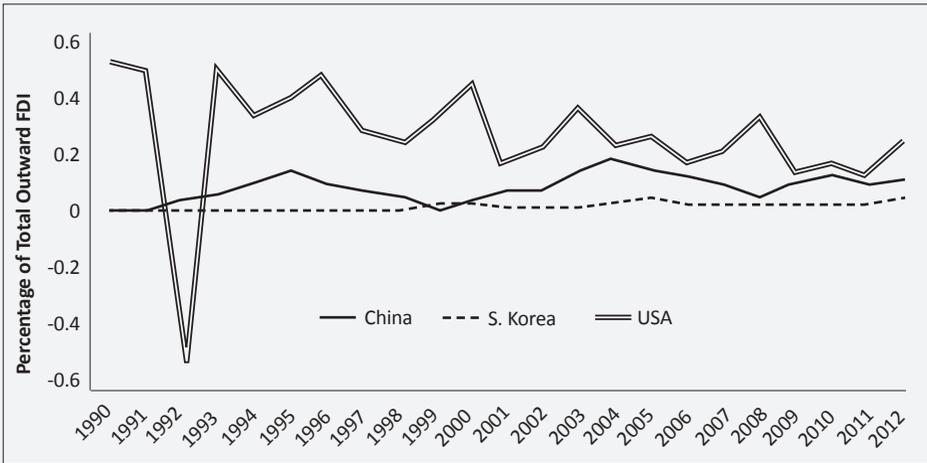


Figure 2. Japanese Outward Foreign Direct Investment by Country

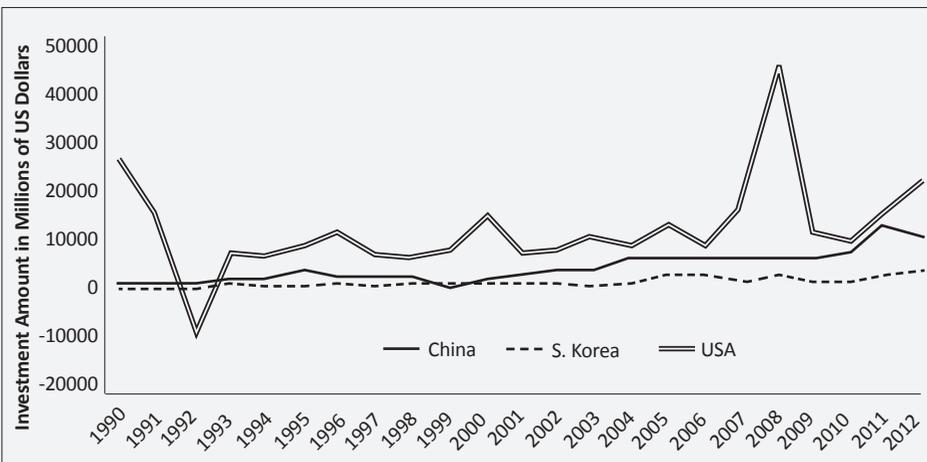


Figure 3. Intraregional Trade Volume in Northeast Asia (1984-2011)

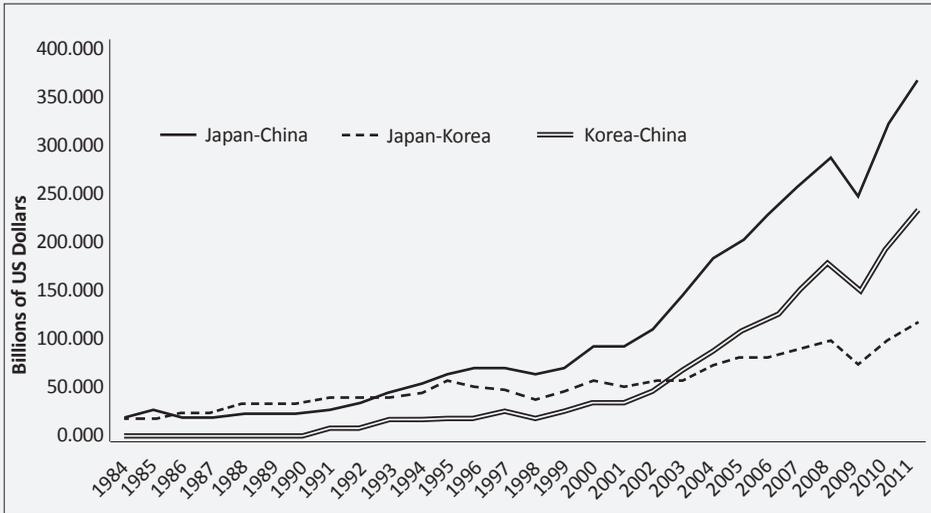
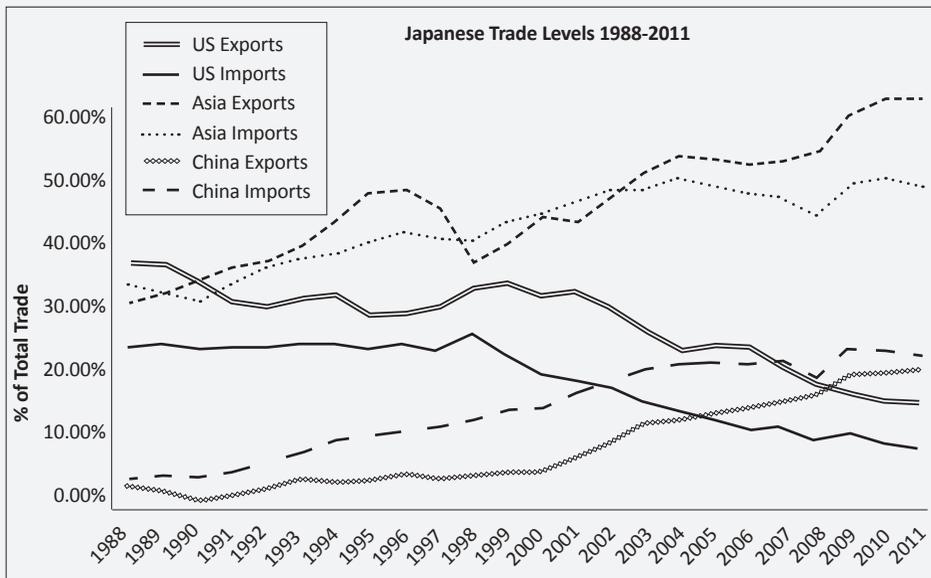


Figure 4. Japan's Trade with Major Partners



Source: Prepared from Ministry of Finance, Trade Statistics. <http://www.jetro.go.jp/en/reports/statistics/>

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The U.S. Perspective

Claude Barfield

The proposed China-Japan-Korea (CJK) FTA, if it comes to fruition, will be a major economic accomplishment in its own right; but it will also constitute an important milestone and potential way station on the road to a region-wide FTA, embodied in previous proposals for an ASEAN+6 agreement and in the recently launched negotiations for a Regional Comprehensive Economic Partnership (RCEP) agreement. This chapter analyzes the implications for the United States of the CJK FTA against the background of competing pathways to an ultimate regional economic architecture.

U.S. TRADE POLICY: FROM MULTILATERALISM TO TRANS-PACIFIC REGIONALISM

From 1945 to the late 1980s, the United States steadfastly adhered to multilateralism in international economic policy, taking leadership in the GATT and in the other pillars of the postwar Bretton Woods agreement, the World Bank, and the IMF. What follows is a very brief history of the shift in policy that saw regional and bilateral policies and agreements supplement multilateralism in trade policy.¹

Changes came to the fore in the George H.W. Bush administration, notably under the leadership of Secretary of State James Baker, the driving force behind a significant reorientation of U.S. international economic policy. With regard to trade policy, Baker stated that in addition to liberalization under the GATT, “bilateral and minilateral systems may help move the world toward a more open system.”² NAFTA became the most immediate symbol of the U.S. shift, but soon after Asia also moved to a top priority. Baker was quickly receptive to the proposal put forward by Australia and Japan for APEC, in which the United States would be expected to play a leading role. And he was immediately hostile to the subsequent proposal by Malaysian President Mahathir for an East Asian Economic Caucus that would include only Asian nations and exclude the United States. It was in response to Mahathir that Baker famously set out an enduring U.S. strategic position when he avowed that the United States would oppose any “plan that drew a line down the middle of the Pacific,” with the United States on one side of the line and Asian nations on the other. As Baker would state later in his memoirs, while there was no immediate security challenge to the United States at that time, he viewed his statement as a projection of diplomatic and security power as well as a statement of economic interest. The inextricable linkage between U.S. economic and trade goals with larger diplomatic and security goals has been a hallmark of U.S. policy toward Asian integration down to the present time.³

Bill Clinton was fortunate to preside over what historians have labeled the brief “unipolar moment” in postwar history. The Cold War was over, and U.S. economic and military power unchallenged. More specifically, in Asia by the mid-1990s Japan had begun its long period of stagnation and China’s rise was still just over the horizon. Thus, regional security concerns remained dormant, and economic priorities came to the fore with the upgrading of APEC in U.S. trade priorities and the establishment of Bogor goals of free trade in the Asia-Pacific by 2010 for developed APEC nations, and 2020 for developing APEC nations. The U.S. tried unsuccessfully to change the APEC mode of operation (concerted unilateralism) in 1997-98. With the failure to move toward binding reciprocity-based rules, the Clinton administration, in effect, gave up on APEC as a near-term vehicle for trade and investment liberalization.⁴

The shock of 9/11 deeply colored and shaped the foreign and international economic policy of the George W. Bush administration. The war in Iraq and the war on terrorism moved to center stage; and from 2001 through 2005, APEC drifted. Though Asian regional policy seemed rudderless during these years, Bush administration trade policy did not ignore Asia. It played a key role in two crucial strategic innovations instituted by U.S. Trade Representative Robert Zoellick. The first was the doctrine of “competitive liberalization,” a slogan that signaled a commitment to supplement the multilateral agenda in the WTO with one to negotiate FTAs, bilaterally, minilaterally with small groups of nations, or regionally if the opportunity presented itself. Zoellick argued that the discrete use of the huge U.S. market would trigger a competitive process toward global free trade. The second hallmark was a public and explicit linkage between trade policy and overall U.S. foreign and security policy. In speeches and congressional testimony, Zoellick succinctly elucidated the elements of the twin trade and security goals. He affirmed that in choosing prospective FTA partners, the Bush administration would seek “cooperation—or better—on foreign and security policy... Given that that the U.S. has international interests beyond trade, why not try to urge people to support our overall policies.”

Under these criteria, the Bush administration went on to conclude some seventeen FTAs with nations around the world. With regard to Asia, Zoellick saw FTAs as a means of getting around the stalemate in APEC. Thus, the United States completed a pending FTA with Singapore; successfully negotiated an FTA with Australia; commenced negotiations with Thailand and Malaysia (suspended later); and, most significantly, negotiated an FTA with South Korea. Foreign policy considerations played a central role in the choice of partners: Australia was moved to the head of the line as a result of support for the war in Iraq. Conversely, New Zealand was rebuffed because of long-standing disagreements over nuclear policy and its opposition to the 2003 invasion of Iraq.⁵

Finally, of great significance for this paper, during its last months in office, the Bush administration announced that it would move to enter the so-called P-4 trade negotiations (New Zealand, Brunei, Singapore and Chile) that aimed for a high level, deep integration trans-Pacific trade pact that would ultimately encompass all of the major economies of the region. With U.S. membership, the negotiating title became the Trans-Pacific Partnership Agreement (TPP).

THE OBAMA ADMINISTRATION AND THE ASIAN PIVOT

Though in many ways the foreign policy of the Obama administration differed dramatically from that of the Bush administration, diplomatic and security considerations played a large role in shaping trade policy in both administrations. This was underscored by the decision of the Obama White House to assign major strategic and political decisions to the National Security Council, and not to the USTR. Further, the role of individual leadership in shaping U.S. Asian policy forms a key element, with Secretary of State Hillary Clinton’s central focus on Asia providing a bookend to Secretary Baker’s guiding vision two decades previously.

Obama and Asia: Trade and Economic Policy

As he entered office, Obama seemed an unlikely candidate to push forward a bold United States trade agenda. Famously, in the 2008 campaign he boasted that he had opposed the NAFTA

agreement and subsequent bilateral FTAs; and he led a Democratic party deeply divided by trade liberalization and globalization issues. For almost a year the United States, in effect, had no trade policy, but by the end of 2009, a combination of economic imperatives and foreign policy challenges impelled a major turnaround on the trade front.

Though the financial crisis ebbed during 2009, the recession dragged on; and despite continuing Democratic congressional opposition, Obama turned to trade policy—and exports—to boost the flagging U.S. economy. This resulted in a major National Export Initiative to boost U.S. exports around the world, but particularly in the rapidly expanding Asian economies. Under the initiative, the president promised to double U.S. exports over a five-year period.⁶

Asia: The Pivot

Though economic factors were important, what more decisively shaped policy were the rapidly shifting diplomatic and security conditions in the region. Within months after Obama assumed office, North Korea heightened tension on the peninsula and threatened South Korea, a U.S. ally, by first conducting an underground nuclear test, and then lobbing two rounds of short-range missiles across the Sea of Japan (East Sea). Pressure mounted immediately for a show of support for South Korea, resulting, from the administration's own accounts, in a decision by the president to announce a goal of completing negotiations on the stalled KORUS agreement.

On a broader scale, even before the Obama administration took office, Beijing had hardened its attitude and diplomacy on a raft of disagreements and conflicts with its East Asia neighbors. Though not repudiating the mantra of a “peaceful rise,” China's leaders became much more assertive in their relations with individual nations—as well as ultimately with ASEAN as an organization. In May 2009, the government published a map of the South China Sea containing nine dashed lines in a U-shape that laid claim to over 80 percent of this maritime area. Subsequently, it clashed repeatedly with its neighbors, particularly the Philippines and Vietnam inside this self-proclaimed perimeter. In addition, the PRC grew bolder in contesting the claims of South Korea and Japan, respectively, in the Japan and East China seas.

TPP, Symbol of the “Pivot”

Secretary of State Clinton's first trip abroad was not—as had been traditional—to Europe, but to Asia. In speeches and testimony during the first months of the administration she proclaimed with some bravado that the United States was “back” in Asia, vowing to pursue a “more rigorous commitment and engagement.” To that end, she beefed up the economic resources and mission of the State Department and pressed for forward movement on U.S. regional trade and investment issues. Within months, the United States had signed the Treaty of Amity and Commerce with ASEAN, paving the way for membership in the East Asian Summit. The secretary made nine trips to Asia, more than to any other region. Most significantly, just before Obama's first trip to Asia in November 2009, the administration announced that it would move to ratify the KORUS FTA and would join the TPP talks initiated by the Bush administration.

Obama's Trip to Asia

The president's 2009 commitment to the TPP set the stage for the substantive capstone of the U.S. “pivot” during his nine-day trip to Asia in November 2011. Starting in Hawaii as host to the APEC Leaders Meeting, the president went on to make major pronouncements

and policy advances in Indonesia where he met with ASEAN leaders and became the first American president to join the East Asian Summit. Obama chose Australia to deliver his most far-reaching address reaffirming the U.S. commitment to Asia—and to the Australian alliance. “The United States is a Pacific power, and we are here to stay,” he averred, adding: “In the Asia Pacific in the 21st century, the United States of America is all in.” Later in Darwin, the president and the prime minister announced a new security arrangement under which the United States would deploy a rotating group of 2500 marines, establishing an important symbolic presence in maritime Southeast Asia.

From the outset of the trip in Hawaii, however, it was the TPP that created the “buzz” that would continue through the remainder of the president’s journey. With the announcement that a “framework” had been agreed to, the TPP moved to center stage as the most concrete symbol of renewed U.S. leadership in the region. As deputy national security adviser Michael Froman has recently stated: “This really embeds us in the fastest-growing region of the world, and gives us a leadership role in shaping the rules of the game in that region.”⁷

THE TRANS-PACIFIC PARTNERSHIP AGREEMENT: WHAT IT IS AND WHERE IT STANDS

Just what is the TPP and why is it so significant for the future leadership role of the United States in Asia? The current negotiations grew out of a four-nation agreement (P-4) concluded in 2006 by Chile, New Zealand, Brunei, and Singapore. Subsequently, Australia, Peru, Vietnam, and the U.S. signed on, followed in 2010 by Malaysia and most recently by Mexico and Canada. Detailed negotiations began early in 2010, and since then there have been seventeen formal negotiating sessions. The ultimate goal of the TPP is to include all of the nations in APEC.⁸

REDO FOR JAPAN?

At the present time, should the eleven nation negotiations be successful, the TPP would encompass an FTA of some 658 million people and almost \$21 trillion in economic activity. Should Korea and Japan join the agreement, as many expect in 2013-2014, the territory would expand to a combined GDP of \$27 trillion, constituting a trade bloc of over \$10 trillion in goods and services. If the negotiations for the CJK FTA prove successful, the resulting trade bloc would constitute about 20 percent of world GDP and about the same percentage of world exports. China is the largest trading partner and a major investment destination for both Japan and Korea. In 2011, trilateral trade volume amounted to \$690 billion, almost six times the total in 1999. Together Japanese and Korean investment in China amounts to over \$130 billion.⁹

Substantively, the TPP has been called the first “21st Century Agreement.” If successful, it will put in place international trade rules to lower or eliminate “behind the border” domestic barriers to foreign competition. Among the twenty-nine chapters under negotiation will be rules to open government procurement contracts to foreign competitors, rules to liberalize service sectors, such as telecommunications, banking and accounting, non-discriminatory health and safety regulations, fair competition with state-owned enterprises, and a level playing field for foreign investment.

Despite the emphasis on 21st century regulatory reform, there are also longstanding 20th century trade issues that will prove difficult to resolve. For the United States, the greatest challenges stem from sugar, dairy, cotton protection and subsidies, textiles, so-called rules of origin that hamper clothing supply chains, and finally union demands for interference with the labor laws of TPP trading partners. In the end, the key to success will come down to trade-offs between 21st century liberalization and old-fashioned 20th century protectionism.

INTRA-ASIAN REGIONALISM

The countries comprising ASEAN have striven mightily to make certain that ASEAN as an entity remained the central focus of East Asian regionalism. This was true despite the fact that a number of ASEAN nations—for instance, Singapore, Thailand, Malaysia, and Brunei—independently forged bilateral FTAs with individual trading partners. Thus, for some years, ASEAN has proceeded on several tracks. First, internally ASEAN incrementally moved to complete the promise of a *de facto* as well as *de jure* FTA among ASEAN member states. At this point, the goal is to achieve a unified ASEAN Economic Community by December 2015. In addition, through the ASEAN+1 process, ASEAN has completed FTAs with China, Japan, India, Australia, and New Zealand. By and large, these agreements do not aim for so-called “deep integration,” but rather for more shallow liberalization focusing on incremental tariff reduction.¹⁰

Modeling efforts have produced somewhat differing economic results, depending on the assumptions and calculations behind the particular model. In an initial effort in 2005, the Korea International Economic Policy Institute (KIEP) found that under the most conservative assumptions (the so-called static model that includes tariff reductions and not liberalization of services or does not factor in potential productivity gains) the CJK FTA would increase the GDP of China, Japan, and Korea, 0.89 percent, 1.05 percent, and 3.27 percent, respectively. Exports from the three nations would increase 11 percent, 5 percent, and 8 percent respectively.¹¹ More recently Chinese scholars, using less restrictive assumptions, predicted that over the medium term the CJK FTA could raise China’s GDP by 2.9 percent, Japan’s by 0.5 percent, and Korea’s by 3.1 percent, over baseline increases.¹² Finally, in a just published, exhaustive analysis of the economic effects of sequential liberalization under both the so-called Asian track and the TPP track, Petri, Plummer, and Zhai find that implementation of the CJK FTA by 2015 would result immediately in income gains for China, Japan, and Korea, of 0.2 per cent, 0.4 percent and 1 percent respectively.¹³

Though further liberalization of the Chinese, Japanese and Korean economies would benefit their ASEAN trading partners, prospects for a stand-alone CJK FTA have raised serious concerns throughout Southeast Asia. Specifically, ASEAN leaders worry openly whether the CJK FTA—as well as other trade movement in the region—put at risk the centrality of ASEAN as the lynchpin of East Asian economic integration.¹⁴ ASEAN fears combined with the PRC’s stepped up effort to head off the challenge of the TPP explain the decision in November 2012 to launch formal negotiations for a RCEP in 2013.

RCEP

At the November 2012 ASEAN summit, two important decisions were taken: first, ASEAN nations agreed to postpone completion of the planned ASEAN Economic Community (AEC)

from January 1 to December 31, 2015; and second, ASEAN launched the RCEP, with the aim also of completing negotiations by the end of 2015. Formal negotiations among the ASEAN+6 nations are slated to begin sometime in the first half of 2013. Inevitably, RCEP is being compared with the TPP. If successful, both would reduce the “spaghetti bowl” effect of the multiple bilateral agreements that have been concluded throughout East Asia. There is also some overlap in membership in that Australia, New Zealand, Singapore, Malaysia, Brunei, and Vietnam are participating in both negotiations. In other ways, however, the two agreements, if successfully completed, will be quite different. First, unlike the TPP where individual ASEAN nations are negotiating separately, in RCEP ASEAN is represented as a single economic and political entity, including, from the outset, even the less developed ASEAN members: Laos, Cambodia, Myanmar.

In part, this membership difference—as well as the inclusion of ASEAN as a distinct entity—has dictated contrasting ground rules for the negotiations. First, according to the ASEAN Secretariat’s statement of the RCEP Guiding Principles and Objectives for Negotiations, there will be a great deal of flexibility in the negotiating mode, which “can be accomplished in a sequential manner or a single undertaking or through any other agreed modality.” RCEP will also provide “special and differential treatment to ASEAN Member States.”¹⁵

Finally, there is one other highly significant difference between the two potential agreements. RCEP’s membership is fixed and limited to the present sixteen negotiating partners (though at some later date after conclusion of the agreement it could be expanded). TPP, on the other hand, is unique in that it has added members during the course of the negotiations, starting with the P-4, then adding five additional partners from 2005 to 2010, and two additional members, Canada and Mexico, in December 2012. There is also the potential that two more nations, Korea and Japan, could join before the terms of the agreement are settled in 2013-2014.¹⁶

Substantively, in contrast to the deep integration goals of the TPP, the initial aims for the RCEP are less ambitious. Three negotiating subgroups are being established in goods, services and investment; but it is not expected that the agreement will contain many of the “behind the borders,” nontariff barrier liberalization rules that are the object of TPP negotiators. At a minimum, the RCEP negotiators have set as a goal the simplification and harmonization of the existing ASEAN+1 agreements. For instance, differing tariff classifications in these agreements could be unified into one system; and as nearly as possible, a common tariff schedule could be constructed. As an important complement, the agreement will attempt to simplify the multiple rules of origin (ROOs) in the bilateral pacts. On services, some of the ASEAN+1 agreements contain WTO-Plus commitments; others do not. The goal would be to expand existing WTO-Plus commitments, as well as to introduce new liberalization in additional sectors.¹⁷

FUTURE SCENARIOS: CJK, RCEP, AND THE TPP

This concluding section considers potential future scenarios for the emerging Asian economic and trade architecture. It begins with an analysis of political and security factors that may complicate—both frustrating and spurring—diverse future outcomes. It then

describes plausible pathways for negotiations leading to a future FTAAP, including the role of the CJK FTA, RCEP, and the TPP.

History, Conflict in the South China Sea, and the U.S. “Pivot” to Asia

FTAs, whether bilateral or regional, are not undertaken in an economic vacuum. Gains to GDP, terms of trade, and export enhancement are all important factors in deciding to embark upon negotiations, but these calculations are always shaped by equally important political and security judgments. This juxtaposition is certainly evident in the recent history of economic and political integration in East Asia. This paper highlights several of the most important background factors.

Beijing, Tokyo, Seoul

Recent events are playing out against the advent of more belligerent moves by the PRC. After the Second World War, China, in the famous nine-dotted line map (inherited from the Chinese Nationalist Government), officially laid claim to some 80 percent of the South China. Only in recent years, however, has conflict flared, driven by the prospect of large deposits of oil and gas reserves. While in most cases, the true legal rights are lost in the mists of history, both the PRC and other claimants (Japan, Vietnam, Philippines, Brunei, and Malaysia) have stepped up their assertion of claims and their defenses. The growing tension between Beijing and Tokyo over the Senkaku/Diaoyu Islands has spilled over into economic relations. The PRC, despite a recent record of intransigence on regional disputes with its neighbors, is by no means totally at fault for the dangerous escalation: the Japanese government’s move to “buy” the islands, to some degree, forced Beijing to more vigorously assert its own authority, leading to the current standoff with ships from both nations circling each other in the area. The dispute has fed nationalist impulses and groups in both nations, hampering efforts to move forward on closer trade relations.

Similarly, Japan and Korea have become embroiled in highly emotional disputes, such as the alleged use by Japan of “comfort women” during the long Japanese occupation of Korea. Earlier, Japan had “apologized” for the human rights violations, but recently some Japanese politicians in the newly triumphant LDP have called for rescinding the apology, sparking deep resentment in Korea. In addition, Japan and Korea are embroiled in a territorial dispute over a rocky outcropping in the Sea of Japan that Korea calls Dokdo and Japan calls Takeshima.¹⁸

ASEAN Centrality

A second looming dilemma concerns the viability of the “centrality of ASEAN” in future moves toward Asian economic and political integration.¹⁹ As this chapter has noted, RCEP is at least partially driven by ASEAN’s determination—at least aspiration—that the confederation will continue to occupy the driver’s seat as closer economic and political ties are forged over the next decade. This aspiration faces internal and external challenges. Internally, it is by no means clear that ASEAN will meet the 2015 deadline to complete the AEC through final liberalization of tariff and nontariff barriers. The deadline has already slipped from January to December 2015, and outside observers express skepticism that even that goal is attainable—skepticism reinforced in January by warnings from Indonesia’s trade minister that his country was not “ready to face the AEC” and little had been done to prepare for the new obligations.²⁰

Of equal importance are outside pressures—most particularly from Beijing—that already have caused fissures among ASEAN nations and almost certainly will continue. The failure in May 2012 to produce a joint communiqué at the close of the ASEAN Ministers Meeting was the result of an open, direct intervention by the PRC that caused Cambodia, the chair, in effect to veto any reference to conflicts over South China Sea territorial claims. It was an unprecedented failure in the forty-five years of such meetings; as one observer noted “The ‘ASEAN Way’ of consensus failed.”²¹ The divisions continued at the November 2012 East Asian Summit, when Cambodia once again succumbed to PRC pressure but was met with strong opposition from the Philippines, with support from Singapore, Malaysia and Thailand. In defiance of the PRC demand for individual bilateral negotiations, Singapore Prime Minister Lee Hsien Loong called for “multilateral talks between ASEAN and Beijing.”²²

Should ASEAN fail to meet its AEC deadlines or should the PRC continue to exploit economic hegemony over the smaller, least developed ASEAN states, it will put ASEAN’s future in peril. At worst, individual ASEAN nations might drift toward independent economic and political arrangements, leaving ASEAN itself an increasingly hollow shell.

The U.S. Pivot

A third strong influence on future developments in East Asia will be the future course and impact of the Obama administration’s pivot to Asia. Though there were strong economic reasons for joining and leading the TPP, as noted above, following Obama’s landmark trips to Asia in 2011 and 2012, the TPP has become the single most important symbol of the U.S. commitment to a continuing strong leadership role in the region. Thus, success or failure of these trade talks will have repercussions well beyond the undoubted large trade and investment consequences.

With the RCEP now launched alongside the TPP, in the future the two negotiations will be seen as both complementary and competing visions for an Asian economic (and ultimately political) architecture. The PRC, particularly, has evinced strong misgivings about U.S. strategic goals in the region. While official pronouncements have been fairly circumspect, outside spokespersons—economic and security analysts, former military figures and other former officials—have more bluntly labeled the TPP as a vehicle for the “containment” of China.²³

The competition and divisions over the TPP and RCEP, however, should not be overstated. On the U.S. side, Obama administration officials have stressed repeatedly that the TPP is not aimed at China—and that in time, they hope and foresee that China will see fit to join the agreement. And it is true that TPP member nations, from the outset of the negotiations, have stressed that the TPP is a way station to the larger goal of a FTAAP, which would include, at a minimum, all of the nations in APEC. It is still likely that the PRC will for the near and medium term continue to see the RCEP as the main vehicle for further regional liberalization, but the RCEP itself has an open-ended membership policy and, theoretically, there would be nothing to preclude U.S. membership.

GOING FORWARD: U.S. OPTIONS AND PRIORITIES

What follows is a brief list of possible pathways for East Asian regionalism, and recommendations for U.S. policy and actions.

The TPP

Whatever transpires with the CJK FTA or RCEP, in 2013 and 2014, the U.S. should focus almost exclusively on the successful conclusion of the TPP negotiations. As this author has written elsewhere, 2013 is “crunch time” for the TPP.²⁴ Since early 2010, TPP member states have held seventeen intense negotiating sessions. It is now agreed by the TPP trade diplomats that much of the technical detail has been cleared away, and over the next few months tough political decisions will have to be made by the heads of state or their immediate political staffs. As noted above, for the United States, the tradeoffs will entail pressing for liberalization on the so-called 21st century issues, while conceding ground on more traditional 20th century issues: advances on services, investment, SOEs, and regulatory reform against concessions on textiles, sugar and dairy subsidies, rules of origin, and possibly labor regulations.

Should the negotiators not be able to point to major compromises and work-arounds for sensitive issues in the fall of 2013, there is a real danger that the talks will unravel. Though it will take much longer to complete, the RCEP now stands as a potentially viable alternative, and a path that for the moment is closed to the United States.

CJK FTA

The economic benefits of the proposed CJK FTA for each individual nation have been authoritatively documented in a number of studies. But the key determinants of forward progress over the next several years lie outside trade and investment statistics: trilateral political and security considerations will have equal place in governing the outcomes. During the last months of 2012 and the first months of 2013, relations between the PRC and Japan deteriorated dramatically, as an action/reaction syndrome seemed to take hold, heightening chances for conflict. Since the election, however, Abe has followed a mixed course. On the one hand, he has drawn back, adopting a more conciliatory tone. In January 2013, he dispatched envoys to both Beijing and Seoul, with the stated purpose of preparing the ground for future high-level exchange of visits and accommodation. On the other hand, on his first visits to Vietnam, Singapore, and Thailand, he seemed to revive Aso Taro’s “arc of democracy” from his earlier term as Japan’s leader, Fukuda, taken as a rallying cry for resistance to Chinese hegemonic ambitions.²⁵ In mid-January, the Obama administration became so concerned with the drift toward confrontation that it sent a high-level mission to Japan and South Korea to call for “cooler heads to prevail” in the developing crisis.²⁶

Some observers argue that, despite the obstacles, the economic gains from the proposed trilateral FTA will trump diplomatic spats, and that for the foreseeable future the combination of “hot economics, cold politics” will be the norm.²⁷ Others, including the view in this paper, hold that over the short term both economic and strategic factors will delay the CJK FTA. Abe faces domestic opposition to any move toward greater liberalization of the Japanese economy. The combination of economic divisions with heightened nationalistic resentment against China makes it unlikely that the trilateral negotiations will go forward quickly.

Such is not the case, however, with a parallel bilateral FTA negotiation between the PRC and Korea, whose outgoing trade minister, Bark Taeho has stated often over the past year that protection of Korea’s large investment in China was a high priority for his government. In his view, that protection can best be achieved through either the CJK FTA, or—as now seems more likely—through a bilateral CK FTA.²⁸ With regard to its largest trading partners—

China, the United States, the EU and Japan—Korea already has completed FTAs with two. A bilateral agreement with the PRC would leave only the Japanese market where no preferences were available. Given this situation, Korea is likely not to fret over a desultory process for the CJK FTA.

And how should the United States react to the CJK FTA, whatever the course and timing of the trilateral negotiations? From a foreign policy perspective, the Obama administration should craft a positive response, since it is in U.S. interest that relations among China, Japan and Korea not deteriorate further and threaten East Asian stability. Though closer economic ties do not guarantee enhanced political relations, they do have an ameliorating effect—and they can act to keep politicians mindful of the positive benefits through promised spurs to economic growth and wellbeing in all three economies.

RCEP

If the thesis advanced in this paper is correct—that the crucial time for completion of the TPP negotiations (at least for the eleven current member states) is within the next twelve to eighteen months—then initially there will be no real competition between the RCEP and the TPP. The RCEP nations have set a tentative goal of finalizing an agreement by 2015. This goal almost certainly will not be met—failing a decision to sign a purely political document almost void of substance.

Various RCEP member states have argued—particularly those that are also participating in the TPP process—that the final agreement must achieve a higher level of liberalization than existing WTO rules, even if the RCEP does not aim for the very high so-called 21st century standards of the TPP. Given the diversity of membership (including still-closed economies such as India and Indonesia) and the huge development gaps among members, RCEP negotiations are likely to extend some years beyond the current timetable.

What, then, should be the U.S. response? Following a general rule to encourage trade and investment liberalization no matter where it occurs and what the specific circumstances, the United States should adopt a positive response, supporting any initiative or alternate path that will lead to an ultimate FTAAP. Beyond this benign response, there are more specific actions that the Obama administration should take in coming months. First, the United States should give higher priority to forging a closer economic relationship with ASEAN. In November 2012, at the ASEAN Summit, Obama and ASEAN leaders reset economic relations with the launch of the Expanded Economic Engagement (E3) initiative, which could bolster ongoing Trade and Investment Framework (TIFA) negotiations. While Obama has greatly increased U.S. attention to ASEAN, the TIFA negotiations have proceeded fitfully. Partly, this is a result of the reluctance of some ASEAN nations (Indonesia) to commit to further liberalization, and partly this stems from the reality that the less developed ASEAN states lack the capability to sustain an opening of goods and services. Whatever the reason, the United States should take the lead in pushing for incremental reforms, possibly staggered and tailored to the development level of individual ASEAN members.²⁹

As this chapter was being completed, an important turn of events reconfigured the regional architectural landscape in East Asia: this was the formal decision by Prime Minister Abe to request that Japan be included in the TPP negotiations. Abe's decision stemmed from several

factors. First, during a February visit to the United States, Abe received from President Obama the assurance he needed that while “all goods would be subject to negotiation,” Japan would not be required to precommit to specific liberalization measures. The joint statement read: “Recognizing that both countries have bilateral trade sensitivities, such as certain agricultural products for Japan and certain manufactured products for the United States, the two governments confirm that, as the final outcome will be determined during the negotiations, it is not required to make a prior commitment to unilaterally eliminate all tariffs upon joining the TPP negotiations.”³⁰

The second factor was Abe’s calculation that his very high personal approval ratings with the Japanese public (over 70 percent), signaling support of his comprehensive economic reform plans, would give him the clout and power to win crucial July elections for the upper house of the Diet, even with the risky decision to enter TPP negotiations. Thus, on March 15, Abe formally requested to the eleven members of the TPP that Japan be allowed to enter the trade talks. He directly tied the decision to his broader plans for economic reform, and he adopted a strong sense of urgency, stating: “Emerging countries in Asia are shifting to an open economy, one after another. If Japan alone remains an inward-looking economy, there will be no chance for growth. This is our last chance. If we miss this opportunity, Japan will be left behind.”³¹

As it turned out, both the United States and Japan moved with dispatch to complete negotiations for Japan’s formal entrance into the TPP talks. (The U.S. position was central to moving the process forward, as other TPP nations, though they had specific concerns, were certain to follow the U.S. lead). On April 12, the two nations announced that they had reached terms of an agreement that would allow the United States to support Japan’s entrance into the negotiations after a 90-day period for congressional notification. It was expected that Japan would join the next round of TPP negotiations scheduled to take place in Peru in mid-July.³²

Under the agreement, Japan and the United States issued separate statements confirming preliminary decisions in the politically sensitive automobile and insurance sectors. Both agreed that the United States would phase out its auto tariffs—2.5 percent on cars and 25 percent on trucks—over the longest period possible under any future TPP deal; and Japan agreed to negotiate liberalization of other nontariff barriers to foreign automobile sales, such as standards, certification, and distribution. As a gesture of good faith, Japan also pledged not to expand further the Japan Post’s products in cancer and medical products insurance.³³

Japan’s swift entrance into the TPP negotiations will have major consequences for both the concurrent CJK FTA negotiations, as well as the RCEP negotiations. Abe has now given top priority to the TPP. Crucially, he has established an independent negotiating team above the cabinet and in his own office. That team will be headed by Cabinet Secretary Yoshida Suga, and will report directly to the prime minister. This will lessen—though not eliminate—the strong influence (and veto power) of powerful cabinet ministries, particularly the agriculture ministry.

Thus, for the foreseeable future most resources and attention will be devoted to the TPP negotiations, and the CJK and RCEP negotiations will perforce take a back seat. In sum, these recent events and decisions reinforce the point made earlier in the paper: that the TPP

is now on a faster timetable than either the CJK or RCEP negotiations and, if successful, will not compete with them.

More broadly, for the United States, there are both great benefits and great dangers in Abe's decision. On the plus side, most observers hold that once Japan has acted Korea will follow soon after with a request for membership. The addition of Japan and Korea will in turn constitute an important tipping point, giving the TPP the heft and weight in Asia to become the central focus of an East Asian economic architecture. If successful, a thirteen-member TPP would create a \$27 trillion trade bloc (40 percent of world GDP), that includes about one-third of total world trade.³⁴

Down the road, the danger is that, despite its commitment not to reopen decisions already made in TPP negotiations and to negotiate swiftly and in good faith, Japan could prove obdurate and unable to fulfill its promises to greatly reduce or eliminate major nontariff trade barriers. This could lead to a crisis in the negotiations or produce a stalemate. In order to avoid this outcome, the Obama administration will have to give the TPP top priority status as the talks move to crucial decisions in late 2013. Japan will have to compromise—but so will the United States and other TPP members.

In the end there are both overriding economic and security reasons for the United States to include Japan and Korea in the TPP. First, if the CJK FTA does go forward to completion, there will be a moderate, but identifiable negative discriminatory effect on U.S. corporations and the U.S. economy, while all three CJK FTA economies would achieve important income gains. In contrast, if the two join the TPP, Petri et. al. calculate that Japan and Korea will experience income gains (vs. a base case) of 0.3 and 0.2 percent respectively in 2015—rising to 1.8 and 2.0 percent in 2020.³⁵ The United States would also benefit from small GDP and trade gains.

On the strategic and security fronts, there is one highly relevant developing reality to consider. The current debate in the United States over the mounting U.S. debt is well beyond the subject of this paper, but the debt crisis, trade policy, and future Asian security policy dovetail down the road. While there is great uncertainty about how the negotiations will play out, one thing is certain: for the foreseeable future U.S. defense expenditures will be highly constrained, putting at risk the ability to make good on the security promises implicit in the Asian "pivot." Successful TPP negotiations that encompass the United States and its major Asian allies will make it much less difficult for Obama and his successors to persuade Congress that U.S. economic interests in Asia are inextricably entwined with U.S. security responsibilities.

ENDNOTES

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PROSPECTS AND CHALLENGES FOR
KOREAN REUNIFICATION

INTRODUCTION

In April 2013 North Korea was determined to show the world that it was prepared to stop at nothing in order to be accepted as a nuclear power. Instead of commonplace scenarios of North Korea's collapse and absorption by South Korea, the message it sought to convey was of a powerful, determined state whose military might entitled it to a deciding voice on the future of the Korean Peninsula, however undesirable that was to other countries. After two decades of discussion about how reunification can be facilitated by engagement that reassures the North's leadership that regime change is not what is driving the policy of other states or, alternatively, by illumination that awakens the North Korean people to outside support for their well-being and human rights, the Kim Jong-un regime sent unmistakable signals that reunification will only be possible on its terms. The debate on Korean reunification also has been recast by President Park Geun-hye, even in the midst of North Korea's barrage of threats, making a steadfast appeal for a "Korean Peninsula trust process."

Just two weeks before Park was inaugurated, North Korea tested its third nuclear bomb. When the United Nations Security Council agreed on imposing more sanctions, the North responded angrily. The first two months of Park's tenure went forward in the shadow of unparalleled North Korean bluster, even to the point of suggesting that the North would unleash a nuclear war. Yet, as Park prepared to go to the United States to meet Barack Obama and the U.S.-South Korean joint exercises reached their planned conclusion, the tone in Pyongyang was changing. Whether the gap with other states would narrow enough to allow for the resumption of bilateral talks with the United States, North-South talks, or Six-Party Talks using the format of 2003-08 remained unclear, but the issue of reunification could not be ignored.

In Washington on May 7 Park and Obama held a joint news conference while Park also gave an interview discussing her approach to North Korea. Appearing with Obama, she spoke of "synergy between President Obama's policy of rebalancing to Asia and my initiative for peace and cooperation in Northeast Asia," adding "We share the view about playing the role of co-architects to flesh out this vision." Obama stressed that "we will be prepared for deterrence, that we will respond to aggression, that we will not reward provocative actions, but that we will maintain an openness to an engagement process when we see North Korea taking steps that would indicate that it is following a different path."¹ Separately, Park appealed for China to do more to get North Korea to change and looked forward to "very candid discussions" with President Xi Jinping on North Korea. She also explained her peace and cooperation initiative for Northeast Asia, including the United States. Building trust through a firmly-anchored alliance with the United States, President Park reaffirmed the effort at "keeping open the window to dialogue with North Korea at all times."²

Observers differed in which dimensions they prioritized in preparing the groundwork for reunification. For many in North Korea, South Korea, and the United States, the priority is security. North Koreans seek a "peace regime," but decided to abrogate the sixty-year old armistice in March to make its point. South Koreans seek confidence-building measures, but see no option but to strengthen the alliance with the United States in response to a deepening threat. Some also call for their country to develop nuclear weapons in opposition to North Korea. In Washington, security became a more urgent concern after North Korea's

successful December 2012 test of a long-range missile. Regardless of the many proposals since the 1990s for trust building focused on other dimensions of relations, security stands in the forefront.

Park took office calling for humanitarian assistance as the opening wedge in reviving relations with Pyongyang. She also kept one eye on human rights in North Korea, refusing to downplay that theme in order to entice the North into talks. Yet, denuclearization remained a principal goal, requiring multilateral negotiations and having uncertain impact on the prospects for direct talks with the North. Its effect on the survival of North Korea and the chances for reunification remain unclear.

John Park starts off our discussion of reunification, contrasting the response of South Korea and the United States to a crisis in North Korea utilizing the alliance and showcasing the legitimacy of South Korea to the response of China to obtain international legitimacy for its actions through the Security Council. In doing so, he draws attention to the prime mover advantage in the external response to a major change in North Korea. Sticking to the theme of legitimacy, Park notes that defectors might mobilize a new political base in North Korea, defying plans in Seoul for a more gradual transition overcoming the divide between North and South. Raising a third theme, he argues that a pattern of cooperation could be achieved through a short-term mission of dismantling and verifying the dismantling of the North's nuclear weapons program. These clear messages point to challenges many have hesitated to address regarding what might happen in the early stages of reunification.

Ho-Yeol Yoo focuses specifically on South Korean policies toward unification. He places Park Geun-hye's approach in 2013 in the context of Lee Myung-bak's prior policies and North Korea's responses. Yoo sees her envisioning "happy unification" through a three-step process: normalization through trust, progression from small to big unification, and strengthening the capacity for unification. Much depends on the situation in North Korea, which Yoo discusses in some detail. He points to some conditions that will determine whether the process Park proposes will be realized.

Abraham Kim observes that the field of international relations has paid scant attention to the problems of achieving reunification. He seeks to fill the gap through a combined approach of strategic bargaining and national identity politics. His analysis leads to four generalizations with policy implications: 1) Stable states tend to delay reunification as long as possible because they can afford to do so; 2) a trade-off exists between peaceful and international engagement and the prospects for reunification; 3) reunification dyads face a security dilemma; and 4) within an identity community, greater engagement between reunification states could lead to the erosion of the idea of reunification in the long term. This systematic approach to the dynamics of reunification draws together a framework from recently completed academic writings.

Part IV of this book introduces reunification scholarship starting from different perspectives. Park draws on his experience in Track 1.5 dialogues. Yoo focuses on policy discussions in South Korea. Kim is informed by the literature in international relations studies. All face the challenge of making assumptions about developments in North Korea. Rather than waiting to see how these developments unfold, these authors recognize the urgency of thinking

seriously about far-reaching changes for which policymakers and academic analysts remain largely unprepared. These final chapters should be read as efforts to prepare for what might become a rapidly changing context even if reunification seems far off today.

ENDNOTES

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Competing Regional Interests and Reunification

John Park

As with many complex situations, any effort to address the question of how competing regional interests would play out in response to Korean reunification begins with “it depends.”¹ Countless reunification studies conducted by governments, think tanks and universities in a host of capitals have yielded policy recommendations that are heavily affected by case selection bias—specifically, an overreliance on the German reunification experience as a roadmap. As investment brochures warn, however, past performance is usually a poor metric when investing in stocks. The goal of this chapter is to provide readers with an analytical framework through which they can assess competing regional interests related to reunification and identify ways to address challenges and maximize opportunities.²

In the first part of this chapter, I outline two main factors that heavily influence the course of policy discussions regarding reunification. One is South Korea and the United States primarily responding to the situation through their military alliance. The other is China responding through the mechanism of the UN Security Council. I explain how the manner in which a party takes the initiative disproportionately affects the type of ensuing reunification path.

In the second part, I explore the under-examined potential role that the North Korean defector community in South Korea could play in response to reunification. The South Korean government’s current plan is to extend its jurisdiction over the former North Korean state in a reunification scenario. This plan predates the existence of the 24,000-member strong defector community now resident in South Korea. Small groups in this community have styled themselves as a North Korean exile government. Their plan is to return and launch political groups to help their former compatriots adjust to new realities in a distorted, democratic, market-oriented country. In the early days of Korean reunification, there is likely to be a question of legitimacy as the South Korean government and defector organizations vie for the hearts and minds of the new body politic in the North. The South Korean government will seek to implement its plan for gradual integration of the former North Koreans via economic development projects that utilize cheap labor. In contrast, the defector organizations will look to bring about an early realization of access to the full opportunities of a democratic, market-oriented country rather than Seoul’s plan of initially preserving a divided peninsula for the sake of gradual political, social, and economic integration. How this competition plays out will influence the manner in which regional neighbors respond to reunification.

In the third part, I lay out a policy recommendation on how to minimize competition and maximize cooperation in response to reunification. If reunification is framed in terms of the short-term collective mission of dismantling and verifying dismantlement of North Korea’s nuclear weapons program, it would be possible to develop a common focus and build nascent trust. The question then becomes how the countries involved could apply this trust-building activity to the broader goal of aligning and harmonizing competing interests.

HOW KEY PARTIES INITIALLY RESPOND TO REUNIFICATION WILL DISPROPORTIONATELY AFFECT THE REACTIONS OF OTHER COUNTRIES

A central pattern that emerged during Track 1.5 dialogues that the author directed—and others in which he participated³—over a five-year period was the high degree to which South Korea’s initial response to reunification was framed in the context of its alliance with the United States. This response triggered regional responses that played out in a zero-

sum gain manner. (Ho-Yeol Yoo addresses the South Korean perspective in his chapter). Seeking to avoid losing the initiative and yielding ground as security alignments began to transform, regional powers sought to preserve their respective definition of the status quo. Any perceived threat to this definition resulted in security actions involving armed forces or paramilitary police.

The driving force behind South Korea's utilization of its alliance was to demonstrate to all the regional parties that it had both the legitimacy and the resources to reunify the peninsula. It also provided the means to respond to humanitarian as well as security challenges. Rather than building international consensus around South Korea's reunification plan, Seoul presumed that the international community would grant de facto recognition of it. This assumption was largely based on the notion that this community would be sympathetic to Seoul finally resolving the chronic division of the Korean people. Given historical legacies and deep mutual distrust in the region, the absence of a high-level consultative process and the abundance of divergent assumptions do not bode well for realizing a smooth reunification.

Another major pattern was China's tendency to frame its response to reunification through the UN Security Council (UNSC). Seeking internationally recognized legitimacy of its actions, Chinese government think tank analysts who participated in these Track 1.5 dialogues pointed out that Beijing's priority was to support a UNSC resolution centered on promoting regional peace and stability during this transitional period. By doing so, Beijing sought to counter any perception of its efforts to respond to humanitarian or security issues in the early phase of reunification as a pretext to establish a sphere of influence in the northern part of Korea.

Beijing's focus on securing a UNSC resolution was also an effort to provide a multilateral reference point as various regional parties responded to a transitional period on the peninsula. In the absence of such a reference point, the likelihood of reaction feeding into reaction would rise significantly. The zero-sum mentality whereby one party's perceived gain would be at the expense of another party's national interests could be countered with a UNSC resolution that established common goals to bolster regional security and stability during the reunification process.

Overall, Beijing's objective was to foster an atmosphere of cooperation rather than competition as new opportunities and challenges arose on the Korean Peninsula. Wary of any country attempting to take advantage of the situation to the detriment of the other powers in an unstructured security environment, Beijing deemed the UNSC the primary international channel of interaction that could be tailored to the Northeast Asia region. Whether and how this channel is used by regional powers will largely determine if regional interests develop into patterns of competition or cooperation.

South Korea and the United States tend to underestimate the prime mover advantage of a coordinated international response to change on the peninsula. Although the United States possesses a veto on the Security Council, a transitional situation on the peninsula could provide opportunities for China and Russia to coordinate in calling emergency meetings in an effort to build early consensus on addressing security and humanitarian issues.

DETERMINING INTERNAL LEGITIMACY IN REUNIFICATION: THE DEFECTOR FACTOR

How reunification evolves internally will influence the ways in which competing external interests play out. The long-held assumption is that the South Korean government would be the sole actor in terms of extending its sovereignty in the event of the North Korean regime's collapse. In determining Korean legitimacy there is now the defector factor. Implicit in the South Korean government plan is de facto continuation of a divided peninsula in order to utilize the large pool of cheap labor in the North. Doing so would give South Korean companies a competitive edge in the global economy and slowly raise living standards in the North.

This approach, however, runs counter to the democratic ideals of equality and economic freedom. U.S. expectations of walls—physical and political—coming down would be met with new barriers—economic and social—going up instead. China is likely to adhere to its primary principle of non-intervention in the internal affairs of other countries, while, in economic terms, it may prove to be more appealing as a labor market for former North Koreans. A 2013 South Korean report estimates that approximately 79,600 North Korean workers are in China.⁴ While there may be some short-term decline in that figure in the aftermath of North Korea's February 2013 nuclear test, the overall trend line points upward. As wages continue to rise in China, the demand for guest workers keeps rising too. It is likely that Chinese and South Korean interests will compete with respect to the new political economy reality of reunification.

A different situation could emerge if the defector community effectively and quickly mobilizes the new political base in the North. Their collective experience trying to cope in South Korean society has enabled them to develop basic organizational skills that can be applied to politically mobilizing residents in the North. These unique characteristics may give them an early advantage on three key fronts: forming local political parties to advocate political and economic freedoms in the North; seeking to add a local voice to the development of the vast mineral deposits in the northeastern corridor of the peninsula; and promoting the integration of the local economy with neighboring economies in the South and in the Chinese border region. A defector, community-led, local political configuration could conduct its own commercial relations and become a distinct voice amid competing interests regarding reunification. How the competition for legitimacy between Seoul's plan and the defector community's plan plays out will influence the manner in which regional neighbors respond to reunification.

BUILDING TRUST BY VERIFYING DISMANTLEMENT OF NORTH KOREA'S NUCLEAR ARSENAL

In the security sphere, near-term competing interests regarding reunification could be more aligned if Seoul takes the initiative in framing an important aspect of it—achieving the collective goal of dismantling and multilaterally verifying the dismantlement of North Korea's nuclear weapons program. In a region with recurring security tensions regarding issues ranging from territorial disputes to Beijing's containment fears to the rise of China, this task-specific objective could provide a formative experience for regional powers in substantive security cooperation. Since comprehensive nuclear dismantlement and clean up could take many years in multiple stages,⁵ the prospect for regional cooperation will require multilateral planning and implementation. Such an undertaking is unprecedented in a region that has traditionally lacked a multilateral security organization. The requirements of nuclear

dismantlement offer the unique opportunity to build trust among countries that have long-standing mistrust of each other.

The question then becomes how the countries involved could apply this trust-building activity to the broader goal of managing competing security interests in response to reunification. In practice, a dismantlement-focused multilateral security organization will require the operation of a dialogue mechanism that will help inform the development and coordination of national policies. These patterns of interaction could continue if effectively associated with a neutral multilateral security organization. Rather than launching a regional organization that is solely centered on nuclear dismantlement, there is the opportunity for Seoul to think in a long-term strategic manner and view the task of dismantlement as the foundation for this elusive stabilizing, regional security body.

CONCLUSION

Although reunification is likely to initially trigger competing interests, regional players contending with the challenge of navigating through the turbulence of major short-term changes will also encounter the opportunity to leverage clear common goals like nuclear dismantlement in the North to foster patterns of consultation and policy coordination. In a region with a chronic misalignment of shifting policy priorities, managing these patterns will be fraught with setbacks. Sustained political support and leadership will be crucial. A visionary group of leaders will need to invest their scarce political capital to leverage reunification as a catalyst for creating durable security in the region. Such a path will, in effect, maximize their respective country's national interests as myopically focused management of the reunification process could exacerbate historic animosities and mistrust, thereby deepening other divisions in the region.

ENDNOTES

1. Although dynastic succession to a third generation of the Kim family in North Korea is now complete, there is a growing consensus among North Korea watchers from various countries that regime cohesion will not be sustainable in the medium term. For the purposes of this chapter, I will not examine the main North Korean regime collapse scenarios discussed in policy circles, but rather focus on reunification in terms of South Korea extending its sovereignty over a post-collapse North Korea.
2. From 2007-2011, the author directed Track 1.5 dialogues in Washington, Beijing, Shanghai, Seoul, and Tokyo with government think tank partners in the region. Participants in these "policy R&D" workshops included current and former policymakers, military officials, diplomats, Congressional staffers, and select think tank analysts. Agenda topics covered traditional and non-traditional security issues, as well as economic policy. In developing an analytical framework for this chapter, the author draws on key findings from Korean reunification-focused policy discussions during these Track 1.5 dialogues.
3. David Kang and Victor Cha, *Approaching Korean Unification*, December 2010. Accessed: http://csis.org/files/publication/101217_Cha_ApproachingUnification_WEB.pdf.
4. "China tightens oversight over migrant N. Korean workers," Yonhap News, Feb. 28, 2013. Accessed at: <http://english.yonhapnews.co.kr/northkorea/2013/02/28/59/040100000AEN20130228004300315F.HTML>.
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South Korea's Unification Policy and Prospects

Ho-Yeol Yoo

The Park Geun-hye administration's foreign policy/North Korean policy keyword is "trust," which is intended to be the base on which to build a "New Korean Peninsula" and a new order of peace and security in Northeast Asia. Park has reiterated that she will work to develop trust between the South and the North based on the principle of deterrence, and while remaining strict on that point, she will continue to work through the "Korean Peninsula trust process" toward building the basis for a "unification era," in which all people can live prosperous and free lives and achieve their dreams. As trust is built when the two sides talk and keep their promises, she urged that North Korea respect international norms and make correct choices.

Efforts such as sanctions on North Korea by the United States and the international community are designed to pressure North Korea to adopt an attitude of responsibility regarding the Cheonan sinking and to allow for the reopening of the Six-Party Talks on denuclearization of the Korean Peninsula. If the talks are unable to find an appropriate solution to the North Korean nuclear issue, then new measures and strategies may be considered. Following the unilateral violation of the Leap Day 2012 agreement by North Korea, the United States announced new sanctions against the regime as well as preconditions for the restoration of the Six-Party Talks, and has reiterated its position that the relaxation or cessation of sanctions can only be considered as part of serious talks. After the North's third nuclear test on February 12, 2013, the UN Security Council agreed on additional sanctions supported by South Korea. Park's pursuit of "trust" proceeds in the shadow of these measures.

While North Korea has announced its abandonment of denuclearization talks, it is possible that the remaining countries in the Six-Party Talks can discuss reopening the talks with strong prerequisites, including banning further nuclear and long-range missile tests. If the Six-Party Talks do reopen, a new North Korean nuclear issue management structure can be developed based on concrete, realistic discussions for the construction of a peace regime structure on the Korean Peninsula and the relaxation of the sanctions that North Korea is requesting. Denuclearization of the Korean Peninsula was the primary goal of the Lee Myung-bak government's North Korea policy. It will remain the most important principle related to North-South relations for the Park government.

If Kim Jong-un's government engages in aggression in the name of regime survival and national dignity despite the new Security Council resolution, South Korea will agree to further strengthening sanctions together with the international community in general and the United States in particular. If North Korea commits to a concrete sequence for denuclearization, participants of the Six-Party Talks, including the United States, will initiate comprehensive aid to allow North Korea to maintain stability and develop its economy. South Koreans must define the structure of their country's leading role in preparing for that burden. That is the objective of this chapter, which outlines South Korea's unification policy if circumstances permit.

THE PARK ADMINISTRATION'S UNIFICATION POLICY

Park has stated that unification begins by overcoming distrust and conflict to create a new Korean Peninsula of trust and peace, ultimately leading to a unified Korea that will represent the full completion of the Republic of Korea. To this end, she has presented "happy unification" as the core goal for realizing the construction of a new Korean Peninsula based on trust, through the presentation of a rough blueprint for unification that begins with a foundation of realistic

peace and construction of an economic community, leading finally to political federation. She envisions three steps: 1) normalization of North-South relations through a trust process; 2) progression from “small unification” to “big unification”; and 3) realistic preparation for unification through strengthening the capacity for it.

While the administration is preparing against North Korea's continual aggressive threats and seeks to resolve the nuclear issue through close cooperation with the international community, relying on UN Security Council resolutions, if the situation stabilizes and North Korea agrees to a serious denuclearization policy, the government has also opened the way for a variety of dialogue channels, including inter-Korean summits.

- Plans are being devised for the installation of a North-South Exchange and Cooperation Office in Seoul and Pyongyang for economic cooperation and socio-cultural exchanges.
- Plans are being devised to provide appropriate aid through the North-South Exchange and Cooperation Office for the Kaesong industrial complex and agricultural development as well as in the area of development cooperation.
- For large-scale economic assistance to begin, however, the issue of North Korea's nuclear weapons must take priority. If there is trust built between North and South and a degree of progress seen on the denuclearization issue, the so-called “Vision Korea Project” will be initiated. While there are some differences with the “Denuclearization-Opening-3000” policy of the Lee Myung-bak government, in the end, it is always the denuclearization issue that is the most critical point of contention.

A sustainable medium-to-long-term roadmap will be presented for future governments to use to strengthen peace on the Korean Peninsula and cooperation in North-South relations in case there are signs of positive changes in North Korea. Despite the fact that agreements such as the Inter-Korean Basic Agreement and the June 15, 2000 and October 4, 2007 declarations played a role in their respective periods in mediating North-South relations, the fact that these agreements proved inadequate means that work is required to develop new agreements for cooperation, which show promise for actual realization. Therefore, in order to restart dialogue and cooperation with the North, the Park government must, on the one hand, consistently demand responsible measures regarding North Korea's military provocations, and, on the other, also maintain flexibility in initiating North-South dialogue (such as was seen at the first and second round of talks in 2011 between the chief delegates to the Six-Party Talks from the North and South). This means establishing a comprehensive (governmental and civil), medium-to-long-term strategy for the support of new relations between the North and South, and continuing to pursue this strategy in stages. It also means reassessing tourism to Mt. Kungang and other forms of economic cooperation taking into account factors such as the stability of North-South relations and their economic feasibility. While North Korea lacks serious interest in opening and reform, North-South economic cooperation will take time to be of practical economic benefit.

For this strategy to be applied, a political agenda will have to be pursued under a complex design that does not recognize the separation of politics and economics but in reality is a fusion of the two. Moreover, issues such as separated families and related humanitarian aid will have

to be judged strategically on concrete analysis of the practical gains and losses. In terms of the necessary division of labor between public and private roles, there will need to be research on the political results of business with North Korea (including civil exchange) and the dynamic relationship with unification, given the precedence of the failure of the previous Sunshine Policy. In terms of issues such as the food loans to the North, and the cash-in-advance currency payments related to Mt. Kumgang tourism, structural imperfections need to be rectified and responsibility appropriately placed.

In order to build consensus among the people and the international community, emphasis should be placed on the maintenance of consistency in unification policy and clarity of intentions to pursue unification education and unification diplomacy at the same time. As Park explained, “We will maintain consistency in our unification policy by succeeding and developing a unification model for a national community based on liberal democracy.” She gives special weight to pursuing a “sustainable North Korea policy.” Unification preparation plans, accordingly, must be pursued keeping in mind both the gradual model of unification by stages as well as the possibility of sudden unification caused by an emergency situation.

As a candidate, Park said that we cannot afford to ignore the North Korean human rights problem, and showed serious intent to enact the “North Korean Human Rights Law,” which has been the subject of much political infighting between the government and the opposition. Yet, because it became a symbol of internal conflict and failed to pass either the 17th or 18th National Assembly, it will be extremely difficult to pass without extraordinary political will. Given the equal footing of the government and opposition in the 19th National Assembly, the breakdown of the legislative process due to fierce competition in the presidential election, and the likelihood of repeated protests outside the Assembly, securing support from the Assembly, the people, and the media must be Park’s first priority. Considering that the North Korea Human Rights Law is the bare minimum of humanitarian consideration for North Koreans and also the starting point for building trust, convincing the various political parties and gaining broad consensus among South Koreans is essential.

- The North Korean Human Rights Law has a lot of significance as a symbol and expression of the position and intention of South Korea to reflect the anger and interest of the international community to the inferior human rights circumstances in North Korea.
- It is also important in its concrete details as a milestone for the long-term prospects for the people and elite of North Korea.
- We need to consider the importance of presenting a thorough recognition of the anti-humanitarian, anti-democratic and criminal nature of the North Korean regime and to actively promote this recognition amongst our own citizens.

The North Korean regime is maintaining the succession system that has passed through three generations from Kim Il-sung through Kim Jong-il to Kim Jong-un. With the accession of Kim Jong-un to the highest positions in the party, military and government at the Fourth Conference of the Workers’ Party of Korea, held on April 4, 2012, it can now be said that the Kim Jong-un government has fully arrived. However, we need to consider the stability of the succession and the long-term viability of the regime and government

separately, and continue to research and make preparations for the possibility of a crisis situation or internal struggle.

- After the sudden removal of Chief of General Staff Ri Yong-ho from his position on July 15, Kim Jong-un's succession system was consolidated on July 18, 2012 with Kim Jong-un receiving the highest military rank. It remains unknown whether he will engage in changes in the party-military relationship or bring real results of reform measures for North Korea's internal economy.
- North Korea's internal situation should not be mentioned or interfered with on a government level, but there should be support for the strengthening of the roles of civil groups and international organizations.
- We need to establish think tanks that can deal constructively and comprehensively with the various core national strategies related to diplomacy, unification, security and North-South relations.

The prospects for improvement in North Korea under Kim Jong-un are unlikely due to lack of any fundamental change in terms of opening and reform or in the structural contradictions of the North Korean regime itself. The instability of the North Korean internal situation, following the succession to a third generation of leadership, may impact South Korean and foreign policy fronts unpredictably. We need to remember that it is going to take some time before there can be real improvement in North-South relations and the construction of peace and security in East Asia.

- While some members of Kim Jong-un's family show signs of freedom to move and live abroad, we need to pay attention to the inherent duplicity. North Korea is strengthening both internal control methods, such as crackdowns and punishment of defectors, as well public security activities meant to enforce regime unity at the same time.

The future of the Korean Peninsula will be more unstable and dynamic in the medium-to-long term rather than in the immediate next five years, and therefore the Park Geun-hye government needs to prepare both public and classified action plans and frequently reassess and revise them.

- North Korea has been judged as unlikely to engage in any provocation reckless enough to lead to war and potentially cause the collapse of its regime, so effective responses to threats should be enough to prevent any extreme crisis.
- The Park Geun-hye government needs to thoroughly examine the merits and flaws of the North Korean and unification diplomacy policies of Lee Myung-bak, Kim Dae-jung and Roh Moo-hyun in order to develop realistic alternatives. At the same time it needs to establish the principle that bad behavior or reckless provocation by North Korea will not be tolerated, as well as push a multifaceted approach that a crisis situation can be turned into a unification process through established strategy.

For the maintenance of sustainable peace and development within East Asia, the "East Asia Peace/Cooperation Conception" was presented, which seeks to build trust, cooperative

security, economic/social cooperation and human security with each of the relevant countries in the region. This is the Seoul Process, which can be described as the East Asian version of Helsinki Process.

- The Helsinki Process refers to the process of enacting the Helsinki Accords in 1975, signed by 35 countries divided between the Cold War factions of the U.S.-centered NATO and the Soviet-centered Warsaw Pact. This Accord contained the measures by which peace could be maintained in Europe through trust building.
- During the presidential elections, President Park expressed hopes that the Seoul Process could be used as a means to reduce the potential for conflict between the United States and China in the East Asian region, and that Seoul could function as a peace builder for the East Asian region.

For the Seoul Process to succeed, at the very minimum the national interests of the related countries need to be protected and a widespread collective agreement formed for the maintenance of the post-Cold War status quo in Northeast Asia. There still exists the possibility that North Korea will engage in further provocation or posturing towards South Korea, and to deal with this possibility we need realistic preparations that respond to the fact that the North will use these provocations as a strategic means to repeatedly gain the high ground in negotiations with the South, the United States and Japan.

- As can be seen in the attacks on the Cheonan-ham and Yeongpyeong-do in 2010, some of the most aggressive military moves along the border regions since the end of the Korean War, we cannot rule out that North Korean threats could lead to military attacks and even to the outbreak of war.

In 2013 in East Asia the emergence of new leadership will see the rise of many new challenges and difficulties to be faced. Through President Park's normalized diplomacy with neighboring countries, however, a new foundation for trust can be built. As a middle-ranking power, South Korea can use its balanced and cooperative diplomacy to create a new era of permanent peace and cooperation.

- The conventional structure of the U.S.-China rivalry revolves around the strengthening of the U.S.-Japan alliance and the expansion of the China-Russia strategic cooperation regime leading potentially to the rise of a new Cold War era. However, we need to remember that the cooperation and reliance of each nation in this region on the others is ever increasing, and we must actively develop integrated networks such as Track 1.5 or 2 cooperation dialogues such as a regional FTA.
- In East Asia, the China-Japan territorial disputes and the Japan-ROK dispute over Dokdo, as well as the problems of past history in the regime, are becoming elements of conflict that are entering into a collision course with the North Korean issue. We need to develop three-party and four-party strategic dialogue talk structures between the United States, South Korea, China, and Japan.

Understanding Peaceful Reunification: Its Dynamics and Challenges

Abraham Kim

The reunification of the Korean Peninsula has been an important aspiration of the Korean people on both sides of the 38th parallel for nearly six decades. The emotional family reunions of loved ones wrenched apart for more than half a century illustrate the deep desire for reunification, at least, among the older generation of Koreans. Despite this mutual desire to reconnect and after rounds of North-South negotiations, the two Koreas have failed to reunify. Their inability to do so after all these years naturally begs the basic, yet loaded, question of why is it so difficult. Although it is easy to respond that ideological differences or a history of rivalry are the reasons, these ostensible explanations do not explain the complex nuances of how such factors ultimately serve to promote or prevent reunification. This ambiguity is endemic to the existing policy literature on reunification. In addition, the current international relations literature has generally ignored the problems of achieving reunification despite the importance of this issue in shaping present-day geopolitics in Northeast Asia.

To address this gap, this chapter applies a combined approach of strategic bargaining and national identity politics to understand the relational dynamics and challenges that lie ahead for reunification dyads. Although political science literature has not tackled the issue of reunification directly, scholars have written broadly on the challenges related to negotiating power-sharing arrangements, states seeking to cooperate in high stakes and competitive bargaining situations, and the influence of nationalism and identity politics on government behavior. Drawing from this rich body of work, this paper views the reunification process through the lens of recently completed works on strategic bargaining and national identity politics, and to draw implications that will encourage deeper exploration and research of this issue in the future. The first objective is to highlight problems with extant schools of thought on reunification, namely nationalist, functionalist, and collapsist perspectives, whose views are found in policy literature and other venues. These approaches are at best inadequate, if not problematic, in their logic, to explain and prescribe solutions for peaceful reunification on the Korean Peninsula.

The second objective of this chapter is to offer an alternative, more useful framework to understand the characteristics, obstacles, and structure of reunification dyads. The goal here is not to provide a grand explanation as to what might give rise to peaceful reunification, but to take a more fundamental approach by laying out a different prism by which we can understand the challenges ahead for states that seek a negotiated union. This is an important step to take before we can begin to understand what will ultimately bring about a peaceful reunification. With that said, the alternative framework proposed in this paper is strategic bargaining, while incorporating national identity politics as a force that shapes reunification engagement. This presentation leads to the following generalizations with policy implications:

1. Stable states tend to delay reunification as long as they can because they can afford to do so.
2. There is a trade-off between peaceful and international engagement and the prospects for reunification.
3. Reunification dyads face a security dilemma.
4. Within an identity community, greater engagement between reunification states could lead to the erosion of the idea of reunification in the long term.

DEFINING PEACEFUL REUNIFICATION

The most basic definition of reunification, or national unification, is the merger of two or more states that share a common ethnic national identity and the belief that their nation formerly existed as a single political unit.¹ More specifically, it is the irreversible integration of governing institutions, functions and authorities of two governments into one.² Peaceful unification requires the cooperation of the two states involved.³ It is a negotiated merger where two states adjust their divergent interests and demands, coordinate their behavior, and each makes accommodations to establish a common government over the people of both countries.⁴ Military violence is not used to achieve unification. In other words, states voluntarily pursue a union, free from external coercion or any foreign subversive action. This is not to suggest that adjustments are necessarily symmetrical and the benefits derived are equal. This merger can materialize in two ways: (1) the transfer of multiple centers of power to a new single government that has overriding political authority over all constituent states (i.e., symmetric power-sharing); or (2) the transfer of governing authority of one or more states to a single dominant polity that has sovereign authority over all involved territories (i.e., asymmetric power-sharing; for example, West Germany in the case of German reunification).⁵ Thus, “peaceful” reunification is the condition in which states voluntarily choose to reunify, free from external coercion or any foreign sponsored, extra-legal or subversive action that would force leaders to make a decision they would otherwise not make. This is not to suggest that when states face a decision to reunify there will be no domestic pressures or a crisis; it simply means that leaders’ decisions were intentional, negotiated, and not made under duress.

DIFFERENT PERSPECTIVES ON REUNIFICATION

Although many yearn for peaceful reunification of the Korean Peninsula, the factors involved in reaching this goal are frequently contested. Policy analysts, pundits, and journalists have written countless articles and books on the topic, but these are mostly descriptive or prescriptive, providing much detailed information on particular cases without offering systematic and generalizable knowledge on what enables peaceful reunification. Mainstream international relations theory has also overlooked this important subject. This neglect is puzzling given how states seeking to reunify are not only major political and economic powers, but their unification could reshape the political and security environments of their regions, if not the globe.

The dominant explanations offered by policymakers, pundits, and scholars can be categorized into three main schools of thought: (1) ethno-nationalist/divided nation perspective; (2) functionalist/integrative perspective; (3) collapsist perspective. Below I examine each school for the arguments presented on its behalf and some analytical shortcomings found therein.

Ethno-Nationalist/Divided Nation Perspective. The ethno-nationalist perspective is a dominant belief which frequently shows up in the foundational documents, such as constitutions and legislation, as well as in writings and rhetoric of nationalist policymakers and pundits regarding reunification.⁶ This perspective attributes the deep emotional and spiritual attachment to the homogenous national community defined by its long history, common heritage, and language as the galvanizing force that will eventually drive people within both states to overcome their political differences and restore the nation-state.

Many scholars have embraced these arguments to explain why states reunify. One Korean academic writes:

The long historical root of Korea's nationhood supports the expectation that Korea will reunite sooner or later. This is an issue that touches the hearts of Koreans and is tied to their sense of national identity. Although there are sharp political cleavages between the two Korean halves that are not easily bridged, in historical perspective, an eventual return to normality seems assured⁷⁷

A slight variation on this perspective is what Gregory Henderson, Richard Ned Lebow, and John Stoessinger presented in the early 1970s, known as the “divided-nation approach.”⁷⁸ Focusing primarily on nations that have been divided as a result of the Cold War, their model suggests that the common cultural identity and the deep-seated commitment by all parties involved to restore the original unified state will drive these states through a series of phases of unification. Their teleological argument maintains that divided nations will begin with a high level of hostility and non-recognition, evolve to coexistence, tacit recognition, and reduced ideological competition, and eventually move to active rapprochement and communication, ending with a loose political amalgamation and symbolic unification. While these ethnic-nationalist perspectives provide insights into *why* reunification is important for various groups, it falls short in providing an explanation for *how* reunification is to be achieved. The nationalist account, for example, cannot explain why nearly sixty years have passed on the Korean Peninsula where the fervor for reunification has arguably been among the strongest.

Another shortfall is that these explanations imply a primordial view of nationalism, as if identities are historically fixed and immutable. As generations pass, however, a divided people can gradually see reunification as unlikely or undesirable, thus diminishing the demand for it. Such a change of attitude is arguably occurring in places like South Korea and Taiwan. For example, Gilbert Rozman and Andrew Kim write about the rising support for the “*gukmin*” (or state-based) form of national identity that accepts the status quo division of the peninsula rather than the “*minjok*” (ethnic-based) form that supports the need for reunification. Citing South Korean polls that show that Koreans are not interested in paying for reunification, they write: “These shifts provide compelling evidence that *gukmin* identity is taking precedence in the South Korean psyche. South Koreans are increasingly tolerant of, if not satisfied with, the notion that striving for a unified state is not worth the potential costs and damage that might be inflicted on the state they already have. Koreans may be bound by blood but South Koreans are also bound by the success of their state...”⁷⁹ In Taiwan, popular opinion is also increasingly supportive of greater national autonomy, albeit a majority still prefers the status quo. The strongest indication of this was the election and eight-year tenure of Chen Shui-bian, an independence sympathizer of the Democratic People's Party, as president. His presidency toppled the Kuomintang Party, a long-time proponent of reunification with the PRC, although that party regained power in 2008.

The most problematic assumption is that nationalist sentiments are inherently benign and facilitate cooperation between states by mobilizing groups of people who share an identity. If there is one standard bearer, then the ideational community is likely to be cohesive. However, if there are multiple entrepreneurs with varying and incompatible visions regarding what principles or which leaders should govern the national community and state, then it becomes

a competitive, if not conflictual, environment. As Marc Ross writes: “It should be pointed out that in a shared meaning and identity system the fact that different individuals and groups understand each other does not imply agreement that widely held meanings are necessarily acceptable to all. Rather, meaning and identity, control over symbols and rituals, and the ability to impose one interpretation rather than another on a situation are frequently bitterly contested.”¹⁰ Nationalist communities can often be factionalized, making national identity an indeterminate force for reunification.¹¹

Neo-functionalism/Integration Perspective. Another frequently cited argument that has had a profound influence on the reunification discourse is functionalism—a liberalist-inspired perspective on political integration. This combines the idea of common cultural identity and the desire to maximize economic efficiency and prosperity as the driving factors of political integration, which will result from low levels of economic and cultural engagement compelling higher levels. Prompted by the model of European integration, one functionalist concept that has inspired policy-makers and analysts is the notion of a “spillover effect.” As one theorist argues, peace “is more likely to grow through doing things together than in chancelleries.”¹² As both functionalist and neo-functional theorists argue, integration does not start with costly, high-risk political integration efforts, but rather with low-key economic and social exchanges, and then gains momentum as both domestic forces and governments learn the value of active exchanges and close coordination of policies. Success builds trust and confidence for more frequent and higher forms of economic, social, and eventually political cooperation that requires greater risks, closer cooperation, and increasingly higher levels of trust. Ultimately, the culmination of cooperation across different functional domains provides the environment for reunification.¹³

A close look at the writings and speeches of leaders in divided nations reveals that these functionalist ideas are deeply embedded in their views of how to achieve peaceful reunification. Kim Dae-jung’s “Sunshine Policy” to North Korea, which was subsequently continued by Roh Moo-hyun’s “Peace and Prosperity” policy, illustrates this point. Chung-in Moon summarizes Kim’s functionalist-inspired strategy as a three-step process: (1) peaceful coexistence (peace building through the termination of hostile relations, arms reduction, and mutual surveillance as well as through the establishment of a multilateral security cooperation regime); (2) peaceful exchange (restoration of common national identity through political, economic, social, cultural, and humanitarian interactions and expansion of common interests through increased economic exchanges); and (3) peaceful reunification (incremental unification and the rejection of unification by absorption, military power, or manipulation).¹⁴ This linear progressive notion is even evident in Lee Myung-bak’s idea of unification, which was set forth in the following way: (a) the creation of a “new Korean peace structure” to actively respond to the changing situation on the peninsula; (b) the establishment of “North-South economic collaboration” and, in doing so, dramatically improving the quality of people’s lives; and (c) the development of an environment in which the political unity of the people is possible, thereby ensuring long-term economic prosperity.¹⁵

Although these functionalist arguments seem appealing, there are shortcomings. First, the successful operations of factors that encourage integration requires a relatively stable, long-established, and often democratic political system in which economic and social interest groups play a recognized role in political life. Joseph Nye critiques this functional perspective as being

inapplicable to integration cases outside of Western Europe, where regional communities do not necessarily share common political and ideological systems: “It only makes sense to pay primary attention to economic interests when one can take for granted the political, ideological, and institutional framework within which economic interest can function. This is an impossible assumption in Africa (or any other developing areas) where one of the prime concerns of politicians is to change the framework.”¹⁶ The cooperating governments need to be adhering to similar political and ideological systems and playing by similar institutional rules. As in any state relationship, greater levels of engagement eventually lead to conflicts as both sides work to resolve the disparity of interests in various issues, which requires a common institutional framework. Western Europe is unique. This cannot be assumed for integration efforts among developing countries or, for that matter, for reunification cases where two contending states have dramatically divergent political systems.

Another widely criticized point regarding functionalist explanations is that they are not so much causal theories for integration as they are normative statements, outlining what should be done to achieve reunification, but not what factors cause states to decide to reunify. A related problem with functionalist theories is that they are teleological. An assumption is that nurturing trust and goodwill through building mutually beneficial and deeper cooperation in the economic and cultural arenas will not only heal decades of political separation and strife, but will also build the foundation for higher levels of political cooperation and, ultimately, reunification. This is an oddly idealistic view of state leaders. Governments have a natural tendency to avoid making decisions that would encroach upon their political prerogatives and work against their self-interest, voluntarily relinquishing their power for the sake of integration rather than attempting to protect their interests while trying to expand their power through reunification.

Policy-makers fail to consider whether the path to congenial interstate relations and the road to power-sharing under reunification are similar. Will increased economic and social interaction necessarily lead governments to ultimately give up their sovereignty? The context and dynamics of these two forms of cooperation are different. In security alliances, international economic regimes, and other types of interstate cooperation, governments collaborate with each other because through these efforts, wealth, welfare, and/or security constituents are increased. By improving the lives of citizens living in their countries, the authority of incumbent leaders is reinforced and their power strengthened. In interstate cooperation, mutual aggrandizement, in most cases, improves the condition of all governments involved.

In the case of reunification, however, cooperation is not necessarily mutually beneficial. The goal of peaceful reunification is power-sharing and establishing institutions in which stakeholders must be subjected to former competitors. By empowering an opposing state by offering economic assistance or political compromise, collaboration is complicated by the underlying competition among the elites of member states who seek greater influence, if not domination, in the reunified government.¹⁷ States within reunification dyads have incentives and disincentives to cooperate. In short, it appears that the functionalist logic for reunification may actually be detrimental to political integration efforts rather than supportive of them.

Collapsist Perspective. The underlying assumption of writings from the collapsist perspective is that the two countries are fundamentally incompatible and that competing leaders are not

willing to relinquish their authority for the sake of reunification. In this view, the only means of reunification is either the overthrow of one state by the other state, or the political implosion of one state. In the mid-1990s, the collapsist perspective was popular in discussing how the two Koreas could possibly achieve reunification. Seeing an unprecedented famine and paralyzed economy, many predicted that the regime and state would crumble under the weight of an anachronistic economic system and overly rigid totalitarian government; the “inevitable” collapse would lead to a German-style reunification. Nicholas Eberstadt, a collapsist supporter, encouraged the international community to hasten a “contained collapse” of North Korea.¹⁸

There are two serious problems in this view. First, as Samuel Kim points out, many predictions of North Korea’s collapse commit “the fallacy of premature economic reductionism based on a mistaken conception that equates economic breakdown with system collapse or even with the collapse of the North Korean state.”¹⁹ Economic conditions often do play an important role in contributing to political stability and boosting the authority of governing elites, especially in non-democratic countries where performance-based legitimacy is critical. However, these serve more as an intervening variable to political conditions, which are the primary factors in the regime downfalls. Juan Linz and Alfred Stepan in their celebrated book on democratic transitions and consolidation emphasize this:

If the political situation is such that there is no strong perception of a possible alternative, a non-democratic regime can often continue to rule by coercion. However, when the belief grows that other alternatives are possible (as well as preferable), the political economy of legitimacy and coercion sharply changes. If the coercive capacity of the non-democratic regime decreases (due say to internal dissent or the withdrawal of vital external guarantees), then the political economy of prolonged stagnation can contribute to the erosion of the regime. *It is not changes in the economy, but changes in politics, that trigger regime erosion—that is, the effects of a poor economy often have to be mediated by political change.*²⁰ (Emphasis added.)

Although the DPRK underwent its most severe economic crisis in the 1990s since the end of the Korean War, the country’s tightly controlled “theocratic” totalitarian political system limited the exposure of its population to the outside world, suppressed any internal forces liable to challenge the establishment, and maintained a strong coercive apparatus to ensure security and regime stability. Even Hwang Jang-yop, the highest-ranking North Korean political figure to defect to the South, warned of the solidarity of the DPRK: “The republic [North Korea] is in economic difficulty but remains politically united and there’s no danger of its collapse.”²¹ In short, economic crisis alone will not guarantee any form of political change unless it is accompanied by political fragmentation and polarization.

A second problem is the over-deterministic argument that state collapse leads to reunification, which fails to specify what causal mechanism links the two phenomena together. It is not clear why the collapsed state would not rather choose to reestablish a new government than choose to merge with its reunification partner state, especially when the two have been hostile rivals. An underlying assumption is that all failing states in a reunification dyad will behave like East Germany in 1990, as seen in Aidan Foster-Carter’s 1994 assessment:

The “collapsist” scenario seems the most plausible. Although I fully share the hope, which is widespread in South Korea, for a gradual, stable, peaceful, and inexpensive evolution, indications point to collapse. The key element of my reasoning is that North Korea cannot continue indefinitely as it is . . . [T]he North Korean regime will be overthrown. As in Germany, there will then be a strong popular demand for immediate integration . . . version of the German scenario seems likely.²²

This generalization about the German reunification and its likelihood to be repeated in the Korean Peninsula reveals the failure of reunification analysts to fully comprehend the complexity of what happened in Germany during 1989-1990, and creates a false basis for what might happen in North Korea if it collapsed. Analysts who link the German experience to Korea, among a number of mistakes, make the error of *post hoc determinism*. In other words, the impression is that there was no alternative path for East Germany besides asymmetric reunification with West Germany.

A more contingent turn of events and more complex environment could have easily led to an alternative end for East Germany than being asymmetrically incorporated into the West German political system. Three possible futures were discussed prior to the March 8, 1990, elections that finally determined what policy East Germany would pursue: (1) accession to West Germany (Article 23 of the Basic Law); (2) gradual and negotiated reunification (Article 146 of the Basic Law); or (3) reform and remaining independent as a social democracy.²³ There was both support and opposition to merging the two countries, but the more common public belief was that they would remain divided in a state of peaceful coexistence for some time. Prior to the 1990 election, the victory of the “Alliance for Germany” coalition led by the East German Christian Democratic Union party (i.e. those who supported immediate reunification by being asymmetrically merged with the Federal Republic) was in doubt. Many thought that the Socialist Democratic Party in support of a gradual reunification policy would win. But, through a complex series of events, including direct campaigning by West German Chancellor Helmut Kohl in East Germany, the Alliance for Germany coalition won.²⁴ Even German unification was the result of conditional events. The regime’s deterioration was not sufficient cause for the union.

The discussion of the three perspectives above highlights shortcomings in explaining what causes reunification. There are logical flaws, underdeveloped lines of reasoning, and a lack of empirical support. This, however, is not to suggest that the perspectives above are completely without merit. It would be difficult to imagine states unifying if there were no shared identity that they belong together. Yet, this overview makes clear the need for further research to understand reunification and what may compel states to move toward it. To take a first step, the remainder of this chapter explores how strategic bargaining and national identity politics offer refreshing and counterintuitive insights for understanding what may induce states to negotiate reunification.²⁵

NEW VIEW ON PEACEFUL REUNIFICATION – STRATEGIC BARGAINING AND IDENTITY POLITICS

Setting aside for now any attempt to answer the question what causes states to peacefully reunify, the objective here is to consider the challenge of peaceful reunification as a strategic

bargaining situation between two states with competing interests and high stakes, drawing on work that provides useful insights to help understand the dynamics that states face as they try to cooperate toward a power-sharing arrangement. To inform this bargaining situation, I examine how the fact that both states are embedded in a common political identity community further shapes, and at times, makes more contentious, their relationship within a reunification dyad.

Reunification as Strategic Bargaining. To understand how states cooperate, the political science strategic bargaining literature provides a simple and useful framework, which focuses on the leaders of the reunification dyads,²⁶ assuming that they are rational and security-minded, and their principal interests are to protect their political authority and ensure their survival when faced with a political crisis.²⁷ They survey their environment, carefully weigh the available options, and, to the best of their ability, choose the strategy that optimally meets their subjectively defined goals.²⁸ In a bargaining scenario, states cooperate when both believe it will make them better off than choosing not to do so. This is feasible only when the lowest common denominator is mutually acceptable (i.e. one side's bottom line is not more than what the other side is willing to give up.) But, even if the range of acceptable agreements between the two overlaps and there is room for compromise, leaders will still face the challenge of reaching an array of possible solutions that have varying levels of payoff to each participant. Some agreements may benefit one actor more, and thus are preferred over other arrangements.²⁹

The challenge is to identify stress points and apply pressure that would compel one's opponent to reassess its willingness to incur costs, forego benefits, and ultimately accept an agreement.³⁰ In other words, how does a state make the cost of non-cooperation for its opponent so high that it decides to moderate its demands and pursue an agreement? When two partners cannot reach an agreement, they incur the opportunity costs of failure and the loss of benefits for not reaching a resolution. In high stakes negotiations for agreements with long-term effects political scientists note: (1) the incentive to reach an agreement quickly diminishes; and (2) the sensitivity to relative gains can rise. This implies: (a) stable states tend to delay reunification as long as possible; (b) there may be trade-offs between peaceful and international engagement and the prospects for reunification. Below I examine these suppositions and how they can shape states' decision-making calculus to venture toward peaceful reunification.

Implication One: Stable states tend to delay reunification as long as they can because they can afford to do so.

James Fearon argues that the more actors care about the future payoffs of an agreement and the longer the anticipated duration of the agreement, the greater the incentive for the bargaining parties to continue to negotiate to attain a better deal. "The longer the time horizon of the agreement is, the greater the possible expected benefit one can reap over time by locking in the greater distributional advantage in the agreement and concomitantly, the relative costs of holding out to reach the better deal diminishes as the shadow of the future lengthens."³¹ Because the time horizon for reunification is indefinite, the negotiating leaders have high incentives to extract the greatest advantage in power-sharing efforts because any disproportional advantage can contribute toward becoming the dominant power in a new state arrangement. As long as the cost of non-cooperation is low, state leaders will resist committing themselves to a settlement, hoping that their opponent will face pressure to capitulate. Fearon argues that this stalemate becomes a "classical war of attrition" where both sides may inflict costs but not enough to prompt change until the "no cooperation" status becomes unsustainable or no longer cost-

effective for one side. If the involved states are capable of absorbing large costs for the sake of potentially achieving a better agreement in the long term, the stalemate may go on indefinitely.

As we think about what would drive the costs high enough to compel states to choose reunification, it is worth linking the question to civil war termination and post-war nation-building. Both share the challenge of compelling political elites and their supporters to work together toward building a single government. Characteristics of intrastate war – such as high distrust, the competitive dynamics of elites, and the willingness of elites to go to great lengths to dominate rather than cooperate – are comparable to reunification state relations. In the case of civil wars, sustained armed conflicts are the main cost drivers to compel states to capitulate or engage in a compromise agreement to share power. For reunification cases, the conflict takes place on the political and diplomatic front. Economic competition, military threats, political posturing, terrorist attacks, and other less violent or non-violent measures have been the weapons of choice.³² In reunification there is no condition that dramatically alters the cost-benefit calculus of member states that drives them toward a power-sharing arrangement. Without forces to impact the cost-benefit equilibrium, the inclination of governments is not to pursue potentially risky cooperation agreements that do not guarantee a positive future for the stakeholders involved. As Arthur Stein points out, states tend to be risk adverse in situations when survival is at stake.³³

Not only are states reluctant to reach agreements on high stakes issues, they also tend to be more sensitive to relative gains. Any skewed distribution of economic resources, military power and/or political authority may result in a serious threat to the power and even survival of the relatively disadvantaged elites when building a long-term power-sharing arrangement.³⁴ When relative gains become increasingly important, Duncan Snidal argues that cooperation becomes more difficult. He writes, “[E]ven in purely harmonious absolute gains situations between two-actors, they approximate zero-sum conflictual contests when relative gains are important. If room for cooperation remains, agreements are often less viable, since states’ incentives to violate them increase under relative gains. Thus, relative gains decrease states’ interests in cooperation as well as their ability to maintain self-enforcement agreements in anarchy.”³⁵ This compounds states’ unwillingness to reach reunification agreements.

By viewing the reunification process as a high stakes strategic bargaining process, we can anticipate that states will defer agreement to the long term. Their sensitivity to relative costs makes the possibility of cooperation more difficult. Unlike a power-sharing arrangement driven by intrastate wars, there are no obvious forces that change the cost-benefit calculations. Thus, a state will sustain the status quo until the costs of non-cooperation are so overwhelming that it accepts the demands of the other state. We cannot conclude that stable states are inclined to reunify because they can afford to wait until the agreement is best suited to their demands.

Implication Two: There is a trade-off between peaceful international engagement and the prospects for reunification.

The supposition that stable states are not inclined to reunify highlights a trade-off between political-economic engagement that stabilizes states and the goal of reunification. If embattled states facing an uncertain future are more inclined than stable states to consider reunification, then efforts to engage and assist a weak state may be counterproductive for reunification. This

logic challenges progressive views of reunification. Roh Moo-hyun argued in his “Peace and Prosperity” policy that North Korea needs to be strengthened economically and the wealth gap must narrow before reunification can occur. However, the discussion above predicts the opposite outcome: strengthening North Korea would provide it with a buffer to absorb short to medium-term costs and enable it to defer further the decision to reunify. This does not deny that increased positive interaction between competing states is likely to contribute to stabilizing relations that were historically contentious, but it highlights the existence of trade-offs between promoting peaceful coexistence and creating conditions favorable for reunification.

This framework also clarifies how regional powers and neighboring states can delay reunification. These dyads do not exist in an international political vacuum. Any change in a region as significant as the union of two states can arouse anxiety and even threaten neighboring states. Thus, outside powers may have a strong incentive to sustain the status quo, even trying to intervene and prevent reunification by buttressing a dyad under the pretext of assisting an ally. An example of such an intervention occurred during the 1953 Berlin Uprising, when the Soviet military intervened on behalf of the East German government when it could not control violent demonstrations that nearly brought down Walter Ulbricht’s regime. The DPRK persists today because of China’s generous economic and political support, even though it is internationally ostracized. International support (and threats) can change the calculus and resolve of bargaining states by providing a weak state with the resources it needs to sustain its independence. Regional powers can change the calculus of reunification states by intervening militarily or politically (or at least threatening to), thereby disrupting cooperation. Saudi Arabia’s repeated use of the tribal elements in North Yemen to pressure its leaders to halt their collaboration with the South are examples of this.³⁶

If we assume that states involved in a high stakes strategic bargaining process to share power are predisposed not to cooperate, then we can see why efforts to strengthen one or both states will actually give them the resources to further delay reunification. Conceptualizing reunification in this framework helps us understand how political and/or economic engagement from abroad or within the reunification dyad could delay consideration of reunification.

THE CHALLENGES OF SHARED NATIONAL IDENTITY

Reunification dyads mutually perceive a common national identity, which influences the dynamics governments face when considering political integration. Sharing an identity does not necessarily promote cooperation among stakeholders, but rather can make relations even more contentious. Ideological competition and a history of rivalry make national identity politics in reunification cases more competitive, as each side feels vulnerable to its counterpart state. The result is a security dilemma because the other side always serves as a “counter-hegemony,” a reality with important policy implications for reunification.

Why are national identity politics within reunification dyads so contentious? Elites and the general populace in both countries accept a dominant narrative that they belong to a common national community that shares a unique history, culture, religion, language, institutions, and/or set of values as well as a common destiny that makes them homogenous. They share the aspiration to return to a “golden era” when the entire nation existed as a single political unit. These beliefs are institutionalized in the constitution, law, historical texts, and other

political and/or societal edicts to memorialize this national identity. As part of this identity, there are often emotionally and politically charged collective memories of the past, which provide idiographic material for leaders to weave stories to stir up nationalist feelings, develop a sense of connection among people who share these sentiments, and mobilize support. One important goal is to be unified under a common political leadership, recovering from colonial subjugation, national shame, or oppression, which are linked to the nationalist narrative and the origin of the division. The division serves as a vestige of this painful past. National unification represents the final shedding of the nation's colonial past as a proud independent state is born. The close ties between unification and nationalism link these two factors closely to state legitimacy. Ernst Gellner writes: "[N]ationalism is a theory of political legitimacy, which requires that ethnic boundaries should not cut across political ones."³⁷ A reunification state, the defender of the nation, may be judged on how effectively it achieves this goal of restoring the nation.

Given the highly charged nature of the reunification issue, it is no surprise that leaders have used this issue to mobilize domestic support and strengthen their control when faced with governing challenges. Park Chung-hee used the euphoria that accompanied the signing of the 1972 North-South Korea Joint Communiqué and associated negotiations, after almost thirty years of mutual isolation, to push through his authoritarian Yusin policy that dissolved the parliament and essentially ensured that he would retain the presidency indefinitely. He packaged the policy as an effort to strengthen South Korea to meet the challenges of reunification and the changing international environment.

Shared identities can be both a forum for cooperation as well as for contestation.³⁸ If there is one agreed set of values and norms for the ideational community, then its members are likely to be cooperative and the group cohesive. However, if there are multiple entrepreneurs with varying and incompatible opinions regarding what ideology, principles, or leaders should govern the national community, then it becomes a contentious environment.³⁹

Reunification dyads often emerge immediately after a catastrophic war or the collapse of colonial control at a time when no dominant indigenous power emerges to fill the vacuum left by the discredited outgoing authority. While nationalist entrepreneurs and parties share a common definition of community membership, they fight over what principles, secular ideology, or shared norms should organize and govern that society. One side typically represents some form of leftist or communist ideology, while the other promotes a conservative, non-communist ideal. The inability of competing political groups with antithetical visions to build a nation with a single political system that would manage conflicts results in a fractured polity. If left on their own, the political groups would fight until one emerged as the victor and legitimate successor of the new state, while competitors were neutralized. Outside powers intervene to ensure that friendly leaders will prevail, ultimately preventing a decisive winner and fueling an endless struggle to take control.

In the case of reunification, two competing groups set up governments within their territory of control, each claiming to be the only true legitimate representative over the entire nation, while assailing their opponent as charlatans. As Chaim Kaufman argues, the primary interest in ideological conflict is not to control territory, but more importantly to win the hearts and minds of all nationals.⁴⁰ Although political borders are drawn, territories secured, and

governments established, these competing states struggle with their opponents to win control and eliminate the rival government. Leaders promise not to rest until the nation is united.

Adversaries divided along ideological lines rarely overcome their differences. Donald Horowitz and Alex Groth argue that when “ideology forms the basis for understanding conflict, the participants see different worlds, speak different languages, and often define the conflict as one between incommensurable principles. Groups produce sustaining myths that create an image of ‘others,’ which is characterized by hostility, malevolence, suspicion, and mistrust.”⁴¹ In a similar vein, Gi-wook Shin et al. maintain that when ideological cleavages emerge within a social identity group like a nation, the “black sheep effect” occurs, where competing groups view their opponents as a profound threat to the “in-group homogeneity” and to the viability of the ethnic community.⁴² Given these threats, the objective of competing groups is the elimination of their rivals or the overthrow of the opposing government, making conflict resolution difficult.

In order to reach a negotiated settlement, both sides must forego claims to be the only legitimate authority of the national community and agree to a common political system, even if it is not consonant with the group’s ideological disposition. Many oppose any compromise to their ideological principles that endangers the viability of their philosophical order and governing power. If leaders with such a resolute position on either one or both sides hold political sway, a negotiated reunification where the two states compromise and agree to power-sharing is unlikely. Only by neutralizing this internal resistance would peaceful reunification be feasible. In short, the combination of national identity politics and ideological competition results in a significant impediment to reach common ground for peaceful reunification. As shown below, these factors may cause even greater problems for these states than just achieving reunification.

Implication One: Reunification dyads face a security dilemma.

One consequence of perpetuating the narrative that the two states share the same national identity is that it contributes to what Robert Jervis calls a “security dilemma.”⁴³ The two stand as alternative political systems. Citizens compare their living conditions with their compatriots just across the border. As Adam Pzeworski writes: “[A]s long as no collective alternatives are available, individual attitudes toward the regime matter little for its stability. What is threatening to authoritarian regimes is not the breakdown of legitimacy, but the organization of counter-hegemony: collective projects for an alternative future.”⁴⁴ If the two countries function under different ideological systems, the more prosperous society and its political institutions could serve as a “counterhegemony” for the ailing society. For example, beginning in the early 1970s, ordinary East German citizens were able to watch West German television programs every evening. What they saw was the wealth of their capitalist brothers, glamorous images of prosperity, consumerism, and freedom. This experience arguably contributed to the steady stream of East Germans defecting to the West in pursuit of better lives, and later led to the explosive support for immediate German reunification when the West German chancellor spoke about its possibility. Also, it is no surprise that the North Korean regime cracks down hard on the smuggling of South Korean DVDs that contain soap operas, news, and other programming that expose its citizens to South Korean society and uncover lies about the prosperity just beyond the DMZ.

The common language, culture, and national identity open the possibility of a more deliberate means of influence, where one state or even societal group could try to influence the populace of its counterpart — a bargaining strategy called “suasive reverberation.”⁴⁵ Leaders of one side may try to communicate directly, shaping attitudes toward the other side’s position in a bargaining situation. Applying pressure on their dyadic opponents by speaking directly to their constituents may force their government into accepting a particular position. In the most extreme case, a state may use persuasion, side payments, targeted messages, and other means to convince societal groups to overthrow their opponent’s ruling elite for another more compliant leader that will be more willing to adopt certain bargaining positions. Aware of their political, military, and/or economic advantages, the stronger state has tried to highlight this disparity between them to weaken popular support of the weaker state, often by offering peaceful reunification during politically vulnerable periods of the weaker state. North Korea, for example, repeatedly used this tactic to appeal to the South Korean public and create conditions for a communist revolution in the country. For example, after the fall of Syngman Rhee and mass student demonstrations, it offered a plan for peaceful reunification, intended not to actually promote intergovernmental cooperation, but rather to encourage radical South Korean students and intellectuals, who helped bring down the Rhee government, to apply pressure on the weak Prime Minister Chang Myon to move toward reunification during a period of enormous political and economic strains.

Implication Two: Within an identity community, greater engagement between reunification states could lead to the erosion of the idea of reunification in the long-term.

When dyadic relations actually improve, and political, economic, and societal engagement increases, we would expect the weaker of the two states to feel increasingly insecure, especially if the disparities are stark, leaving it vulnerable to criticism by its own citizens. Under these conditions, what policy options are available to protect the weak state’s legitimacy from being eroded? We would anticipate ruling elites of the weak state to distance themselves rather than emphasize commonalities. They would seek to weaken the bonds of common identity in order to persuade their citizens that the two should not be compared. Empirically, we see this in East Germany after the initiation of Ostpolitik and detente, Erich Honecker’s *Abgrenzung*’s (demarcation) policy attempted to redefine the country’s identity, culture, language, history, and worldview not as “German” but as socialist and tied to the Soviet Union. He even abandoned the idea of unification for fear of being overwhelmed. Taiwan’s independence movement and “Taiwanese” identity are also examples of this. Both the GDR and ROC faced dominant reunification partners and began this quest of “identity uniqueness” soon after their relations improved and exchanges dramatically increased. This identity redefinition has not occurred on the Korean Peninsula, but North Korea’s attempt to isolate its population from South Korea and cordon off areas where South Korean businesspeople and tourists travel to the DPRK reveal this “distancing.” These developments run contrary to functionalist expectations that increased relations between reunification partners lead to greater trust, cooperation, and eventually reunification. Instead, the tendency is greater insecurity and political movement away from reunification even to the extent of breaking down the national identity that binds the dyad.

CONCLUSION

Drawing on a different, more systematic way to analyze the dynamics of reunification, this chapter views the reunification process as a strategic bargaining process between two states that share a common national identity. Although the political science scholarship shows scant interest in the reunification question, there is a rich source of scholarly work on strategic bargaining and national identity that can generate insights on reunification. I derived four broad implications for further exploration:

1. Stable states tend to delay reunification as long as they can because they can afford to do so.
2. There is a trade-off between peaceful and international engagement and the prospects for reunification.
3. Reunification dyads face a security dilemma.
4. Within an identity community, greater engagement between reunification states could lead to the erosion of the idea of reunification in the long-term.

This is not to suggest that these are the only implications or hypotheses that can be drawn from this framework, but as we look at the challenges more systematically, we can better understand the dynamics of the reunification process. The next step is to explore what actually causes peaceful reunification.

ENDNOTES

1. For our purposes, a state is a territorially bounded political unit with a central government, possessing a monopoly of legitimate violence within this polity. Moreover, the government is recognized by members of the international community as a sovereign state.
2. This permanent union contrasts to what some call “national community”—the existence of two independent states that support the idea of cultural oneness, while allowing goods and people to flow freely between them. It is not a confederation where states share decision-making power over a few functional areas (e.g., foreign policy), but where most political authority is retained in the constituent states and each has the right to pull out of the arrangement.
3. As an example, North Vietnamese troops toppled the South Vietnamese government in Saigon, reunifying the two countries under the authority of Hanoi.
4. Robert Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984), p. 51.
5. The reunification of Germany was a negotiated integration. Negotiations took place between Bonn and Berlin, and a mutual agreement was reached to reunify under Article 23. East Germany relinquished its authority to that of the FRG in exchange for a promise of prosperity.
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24. James McAdams, *Germany Divided: From the Wall to Reunification* (Princeton, NJ: Princeton University Press, 1993).
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Robert Sutter is Professor of Practice of International Affairs at the Elliott School of George Washington University beginning in 2011. His earlier full-time position was Visiting Professor of Asian Studies at the School of Foreign Service, Georgetown University (2001-2011). Sutter's government career (1968-2001) involved work on Asian and Pacific affairs and U.S. foreign policy for the Congressional Research Service of the Library of Congress, the Central Intelligence Agency, the Department of State, and the Senate Foreign Relations Committee. He was for many years the Senior Specialist and Director of the Foreign Affairs and National Defense Division of the Congressional Research Service. He also was the National Intelligence Officer for East Asia and the Pacific at the U.S. Government's National Intelligence Council, and the China Division Director at the Department of State's Bureau of Intelligence and Research.

Ming Wan, George Mason University

Ming Wan is Professor of Government and Politics of George Mason University. He has held postdoctoral fellowships at Harvard and was a George Washington University-Woodrow Wilson International Center for Scholars Luce Fellow in Asian Policy Studies. He was a visiting professor at Keio University in Tokyo from August 2010 to August 2012. He has authored *Sino-Japanese Relations: Interaction, Logic, and Transformation* (WWIC/Stanford 2006) and three other books. His current research interests include Sino-Japanese relations, the China model, and East Asia and International Relations Theory. He earned his Ph.D. from Harvard University.

Ho-Yeol Yoo, Korea University

Ho-Yeol Yoo is the former Dean of the Graduate School of Public Administration at Korea University and currently a professor and director of North Korean Studies at Korea University. At Korea University he has been responsible for teaching undergraduate and graduate students on inter-Korean relations as well as North Korean politics and foreign

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Prior to his position at Korea University, he served as a research fellow at the Korea Institute for National Unification (KINU). He serves as co-chairman for Citizens' Unity for Right Society. He also works for the ROK government as a policy adviser for the Ministry of Unification, Ministry of Defense, and the Unification Committee of the National Assembly. He is now acting as Chairman of the Advisory Group in Charge of Planning & Guidance for the National Council for Democratic & Peaceful Unification. He is President of the Korea Policy Research Center.

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